Building up NSW public service capability and driving down use of consultants

Research Summary

Acknowledgement of Country

The NSW Government acknowledges the Traditional Custodians of the lands where we work and live. We celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW.

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Published by NSW Government

Version: June 2024

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1. Assessment of NSW Government's use of consultants and contingent labour for policy and planning work

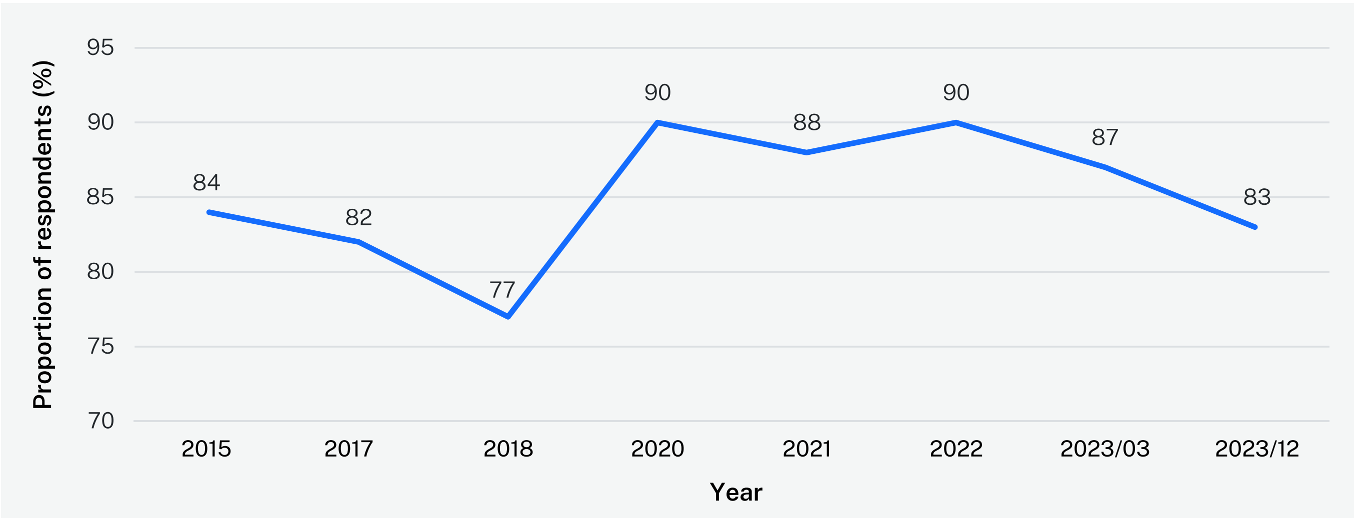
NSW is not alone in facing pressure to shore up public sector capability and meet the needs of communities in the 2020s and beyond

Governments around Australia and in similar countries are facing a time of significant change in how government operates. Increasingly, government reliance on external workforces has raised concerns about conflicts of interest, public value, and the hollowing out of public sector capability. The Australian Public Service (APS) Audit of Employment illustrated the scale of reliance on contract workforces federally, as well as the difficulties in gaining a sector-wide evidence base. This research reflects an assessment based on the best available data and evidence to inform decisions in NSW and identifies data limitations and their implications for decision making.

To operate effectively in the 2020s and beyond governments will require a highly capable policy and planning workforce. That workforce supports front-line service delivery, regulation, and disaster response — all in an increasingly volatile and complex operating environment. This context demands abilities to work across government silos to steward complex service systems, rapidly respond to changing circumstances, safely harness technological advances and deal effectively with evolving community expectations, and to do so while maintaining probity and public value.

Bolstering policy and planning capability is important to effectively anticipate change and design service models that can better service diverse communities and minimise strain on frontline workers. This will be especially relevant in coming years as governments consider other transformations. A recent survey found most Australians consistently hold the view that in the long term it is important to maintain the capability and skills to deliver public services directly, rather than outsourcing (Centre for Policy Development, 2024).

Figure 1: Respondents who think its "Very important" or "Somewhat important" that government maintain capability and skills to deliver services directly, 2015 to 2023. Source: Centre for Policy Development Purpose of Government Pulse survey



Public sector reliance on external workforces arises for many and varied reasons

The current levels of reliance on consultants and contingent workers reflect longer-term trends, with multiple factors driving the decisions that agencies and public service executives make about how to resource work. Decisions about resourcing are taken across many specific contexts. Assessing the reasons for broader trends in resourcing options relies on a combination of:

- Qualitative research to ask NSW public servants about reasons they consider when making decisions;
- Identifying insights from existing research nationally and globally about drivers of resourcing decisions in the public sector; and

- Making reasonable inferences from the available data.

Based on this available evidence-base, the key drivers of the current levels of use of consultants and contingent labour in the NSW Public sector for policy and planning are:

- Perceptions within the public sector that external work and advice can carry greater weight in informing decision-making.
- If there is perception amongst graduates and other recruits that the public service is outsourcing the most interesting and impactful policy work that can also create difficulties in recruitment and insourcing, placing a greater supply of required skills outside the public sector.
- Some work such as reviews and audit require independence to ensure that accountability and learning objectives are met.
- Some work requires access to specific skills, expertise or connections to specific communities that are not readily available to a given agency, or across the public sector.
- Fluctuations in the level and kinds of work different agencies and functions need to deliver can make it difficult to deliver with in-house resources only. Over longer timeframes, the role of government evolves, and a lag can occur in the public sector developing the skills and expertise needed.

Further, over the last decade or so, trends in how public sectors manage themselves have impacted on capability development and resourcing, including:

- Prioritising generalist capability in recruitment processes, without at the same time sufficiently enabling mobility to build and update that capability over time.
- Less structured investment in development and talent management than private sector consultants (Australian Public Service Commission, 2022).
- Regulatory complexity and a lack of procurement competence across the sector, compounded by fragmented knowledge management systems that reduce the ability of government to undertake commonly procured work efficiently (Independent Commission Against Corruption, 2011).

Some drivers of demand for using consultants and contingent labour can be addressed by clarifying the value of advice from the public service, by building public sector capability and capacity in needed areas, and by better matching the public servant workforce available with the work that needs to be done. Some drivers of demand, such as the need for independent or expert input or surge capacity, will be ongoing.

Governments are also under pressure to restore public trust in public sector capability and integrity

In addition to concerns about the hollowing out of public sector capability, recent high-profile cases have raised serious concerns about the probity of engaging certain external resources to support the work of government. Inquiries into breaches of confidentiality and other conflicts have further eroded confidence in major consulting firms' ability to meet integrity standards and to deliver public value, given the:

- Actual and perceived conflict of interest risks where consultants are engaging with public and private sector clients (NSW Parliament, 2024) who may have divergent or conflicting interests (Foley & Yu, 2024; Belot, 2023).
- Probity challenges and risks of disclosing confidential information provided by public and private sector clients (Switkowski, 2023).
- Value for money pressure as dependency by agencies translates to vulnerability to price escalations and contract variation without any corresponding change in the quality of service delivered (Mazzucato & Collington, 2023).
- Anti-competitive dynamics (Ravlic, 2023) where contracts and engagements establish on-going reliance and 'lock in' (e61 Institute, 2023).

- Evidence and data about engaging external resources are too fragmented to meet public expectations of transparency for use of consultants (NSW Accountability and Public Works Committee, 2024).

Governments globally are recalibrating the resourcing of their workforce and procurement systems

These pressures – remaining effective into the uncertain future, retaining a capable workforce, reducing reliance on consultants and upholding high standards of integrity – are not unique to the NSW Government. Globally, comparable jurisdictions are at different stages of reform to rebalance their resourcing mixes and relationships with external parties to do the work they need to do. In the United States concerns about consultants are primarily driven by foreign interference risk, in Canada by perceived conflicts of interest with political parties and in the United Kingdom concerns are more commonly framed around the hollowing-out of public service capability over time.

Around Australia there are investigations into the nature and depth of this reliance on external workforces, with inquiries by the Australian and NSW Parliaments, as well as several audit offices (e.g. NSW, Victoria, and Western Australia). Many governments are progressing reforms to procurement systems and public sector workforce capability and culture to strike a balanced and sustainable use of external resources that delivers public value and maintains probity.

The NSW Government has committed to reduce expenditure on consultants and non-frontline contingent labour in the 2023-24 Budget included spending reductions across these areas. The Government has also committed to addressing probity and conflict of interest challenges revealed through various reports and parliamentary inquiry investigations.

Alongside implementing similar savings measures, the Australian Government has committed to broader APS reform, which can be framed as involving 5 areas for action:

- Creating a dedicated minister and central agency functions focused on public sector reform.
- Defining what constitutes “core” public sector work that must be done by public servants and what constitutes non-core work that can be procured through a Strategic Commissioning Framework.
- Investing in broader upskilling to enable scaled public service insourcing, through targeted initiatives under the APS Capability Reinvestment Fund and whole-of-sector training and development in core capabilities from the APS Academy.
- Establishing new specialist functions, notably Australian Government Consulting, to undertake project work commonly procured from consultants within government.
- Seeking to improve integrity and public value when work is procured.

This approach reflects the kind of scaled recalibration required to insource work that has, through longstanding practice, been outsourced to external workforces. Changing the resourcing mix available for public sector work without creating unintended delivery risks will take time. The priorities and regular business of governments continue to require highly capable professional generalists and diverse specialists to ensure quality public service continuity – regardless of the arrangement under which their work is sourced.

Government's current data capabilities do not allow decision-makers to see the displacement effect of reduced expenditure on external resources with a sufficient degree of accuracy and granularity to inform planning at a system level. With greater connection between procurement and workforce data, it is possible to foresee a system stewardship approach which allows for ongoing monitoring. However, it is important to recognise that even the most precise data system has limitations in measuring the non-economic benefits of replacing outsourcing with insourcing.

Any approach should not only focus on pure economic efficiency objectives, which overlooks the broader public values at stake. Many of the benefits of insourcing work to the public sector are difficult or impossible to quantify robustly. These benefits include the development and retention of institutional knowledge and employee capability, as well as greater integrity and public value that can serve as a foundation for improving public trust in government.

Rebuilding perceptions of governments' competence, values, and ability to secure public value when procuring, is crucial for the long-term effectiveness of government. These factors are the drivers of trust in government, and Australians' trust in government has slowly declined 21 percentage points from 51% to 30% since 1969. Delivering services, regulating, responding to crises and implementing structural reforms is much more difficult and costly when citizens lack trust in public institutions, as became evident globally during the COVID-19 pandemic.

Achieving ongoing savings will be challenging without a structured approach to displacement of consultancy services with in-house capability. Budget levers and accounting discipline are important, but experience suggests they are insufficient to drive material insourcing of work over time. Reinforcing measures are necessary to provide any certainty of achieving savings targets over time and creating options for further savings in future.

One of the key objectives of this research is to identify what actions need to be taken to move towards a 'new normal' regarding core public sector capability and the effective and trustworthy use of external resourcing. This analysis draws on a NSW-specific evidence base by joining up data sources required for a sector-wide view. It also looks to Australian and global trends and experience.

Governments will continue to need external support to help with the complexity and challenges of governing in the 2020s and beyond

The realities of modern government make total self-sufficiency an outdated goal. Logically, self-sufficiency would require a crystal ball to fully anticipate emerging demand for particular skills to address particular problems ahead of the curve. It would also require a willingness to retain a higher level of system redundancy and underutilisation, which would draw resources from already tight labour markets that could be more fully utilised in other sectors. In some contexts, such as under the National Agreement on Closing the Gap, commitments to share decision-making or co-design policies and services with the community-controlled sector will also influence the resourcing mix.

If it is assumed that self-sufficiency for government is not the goal, the key question becomes: for what kinds of work, and at what scale, is it appropriate for a government to use external support, given the kinds of problems it seeks to address?

Multiple values come into play in making this assessment. For example, work that goes to the heart of government decision-making — designing regulation and recommending how to best allocate finite resources — is core government work which government should maintain sufficient capability to deliver. There are also cases where external resources may be essential, for example in providing independent advice and assurance where trust and accountability must be maintained for the integrity of processes such as audits or investigations.

One perspective is that the level of preferred dependency on external resources comes down to risk tolerance around on-going employment liabilities and perceptions of economic efficiency. Do governments run tight, lean and small operations, turn to the market when they need specialist or surge capacity and hope that the supply and demand dynamics keep downward pressure on prices? Or do governments retain institutional knowledge that will be more or less relevant in any given year, bring more specialist capabilities in-house and maintain a redundancy buffer to manage ebbs and flows in workload but wear the costs of maintaining that labour?

Capped and actual rates for consultants under NSW Procurement's Standard Commercial Framework (SCF) for the Performance and Management Services Scheme are, on average, double the cost of internal resources at an equivalent grade. For example, a single job with an external consultant could cost $309,000 and utilise five staff for a 30-day project. Using the internal resources of the NSW public service, a similarly experienced five-person team may only cost $147,450, a saving of 52%. Contingent labour also has a significant price premium. It also needs to be factored in that consultants and contingent workers are 'on demand' and can be brought it on a time-bound basis without on-going cost liabilities.

2. Consultant spend data availability and sector-wide approach

The purpose of this research is to produce a sector-wide evidence-base for consideration of changes that could be made to reduce reliance on consultants and contingent labour. It also provides insights into how to improve the data and evidence available to inform future decisions. The research focuses on understanding the demand for consultants and contingent labour, recognising that resourcing options available to the public sector are influenced by supply and demand drivers of decisions to in-source or procure work externally (see Figure 2).

The evidence base developed through this research is generated by triangulating insights developed using data analysis, trends analysis, qualitative interviews and desk-top research. The Audit Office of NSW's Report on the use of consultants by NSW Government agencies[1] (Audit Office of NSW 2023) collated agency annual report data to form a sector-wide view. This research built on that approach and added finer grain analysis on policy, planning and public administration functions of government on a whole-of-sector basis.

Data on NSW Government sector-wide procurement captures realised demand. When annual report data is complemented with NSW Government workforce data, a clearer picture emerges of the context in which demand is created. It needs to be recognised that these data sources have not been designed to be joined up and there are limitations not only in the source data but also in the extent to which specific insights can be produced from comparing across data sources. However, in joining up this data, this research provides evidence to inform decisions that has not be previously available.

The approach for this data analysis combines data on consultants (NSW Government agency annual reports), contingent labour (via Scheme 7 Contingent Workforce data) and ongoing and temporary NSW government employees (via Public Service Commission Workforce Profile data). Built into this scope is an acknowledgment that procurement patterns differ between specific portfolios, and that these differences should be built into implementation of government responses. The last five years of data was included in scope. It should be noted that this covers the period of the pandemic, which was a factor influencing the work being done and the public sector workforce available to undertake work during this period.

Similarly, the period covered by the data analysis for this research compasses the 2023 NSW State election. Caretaker conventions leading up to the election mean that:

- Only external engagements essential for government service delivery are allowed to proceed. Consultancies do not usually fit this description.
- Agencies cannot make changes to strategy, policy or programs, which are the circumstances under which advisory work is often procured.

Joining up data and complementing it with other sources of evidence is designed to partially compensate for recognised limitations in available procurement data and to generate a sector-wide view of procurement and workforce activity in NSW. Most procurement data systems are designed for operational financial reporting and accounting purposes. This limitation is further complicated by devolved governance arrangements, diverse data platforms and data custodians, inconsistent data entry and quality controls systems.

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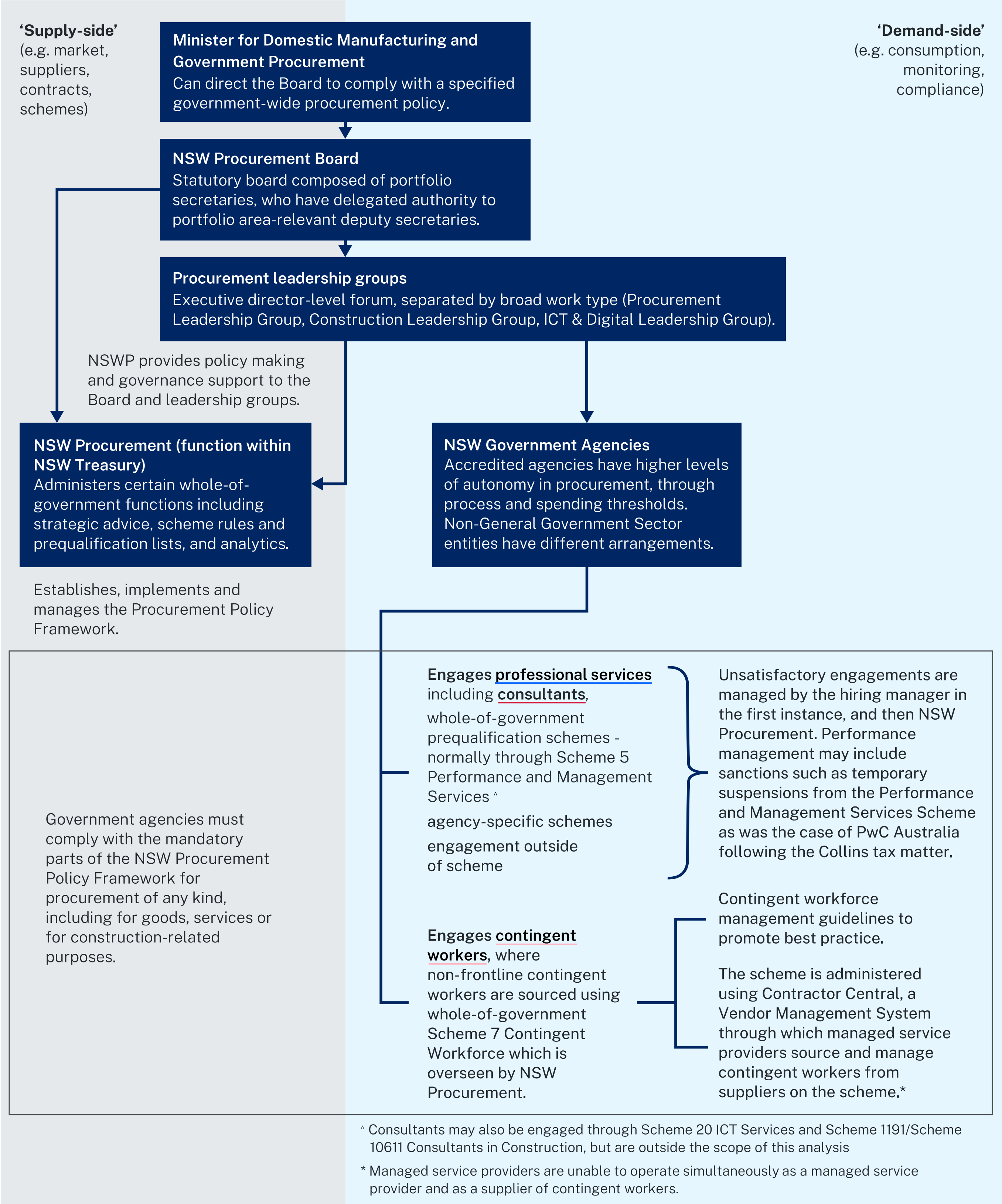
[1] The Audit Office of NSW could not share or disclose the consultancy contract disclosures it collated from agency annual reports with the NSW Government due to provisions of the *Government Sector Audit Act 1983* (NSW), which build trust in the confidentiality of data supplied for audit purposes. For the purposes of gaining insights to assist in strategic recommendations for reform, this analysis replicated the Audit Office's method as described, finding a small spend variance of -4.5% between 2017-18 to 2021-22. The variance cannot be reconciled due to those provisions.

Figure 2: Map of governance for procurement and resourcing pathways



Professional Services	Consultants	Contingent Workers
Professional services are a type of service where external individuals or companies provide expertise, experience and specialised knowledge to help the client implement, manage, or improve a specific area of their business.	A consultant is defined as a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision making by management. (NSW Procurement Board, 2021). Consulting services are defined within the "professional services" category of procurement.	A contingent worker is defined as a person who works for a buyer (for example, a government agency) but is paid by a supplier (a recruitment agency). The contingent worker is not on the government's payroll, and thus does not receive the benefits and conditions which are defined by the *Government Sector Employment Act 2013* and enjoyed by employees of NSW agencies (NSW Procurement Board, 2021).

Scope is confined to timeframes of available data, relevant state sector accounting entities and procurement prequalification scheme definitions

The evidence base is constructed on a common date range of available continuous procurement, finance and workforce data for the **2017-18 to 2022-23 financial years**. Data availability and coverage as depicted in Figure 3.

Figure 3: Reference periods for combined data across consultants and contingent labour spend, and workforce

	FY18	FY19	FY20	FY21	FY22	FY23
Consultants	●	●	●	●	●	Became available during analysis for top line trends
Contingent workforce	Does not exist	●	●	●	●	●
Workforce data	●	●	●	●	●	Became available subsequent to analysis

The roles covered by the combined data:

Consultants: A person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision-making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other professional service providers.

Non-frontline contingent labour: A person who performs 'back office' or corporate functions on a contracted basis. Contingent workers are not employees and usually have a contractual relationship with a labour hire firm.

Public sector employees: A person employed in ongoing, term, temporary, casual, or other employment, or on secondment within the public sector.

There are 23 NSW whole-of-government prequalification schemes, with at least 7 schemes for agencies to access consultants and contingent labour. The analysis predominately focuses on **Scheme 5: Performance and Management Services** (P&MS) procured by Total State Sector (TSS) entities, and within that scope mostly focused on consultants not professional services more generally. The analysis also focuses on **Scheme 7: Contingent Workforce**, with some additional reference to occupation specific schemes where relevant. (The Scheme 7 Contingent Workforce prequalification scheme (Scheme 7) is a mandatory, whole-of-government scheme for back-office (non-frontline) contingent labour that is used across the public sector.)

Budget savings are not being sought on frontline service roles and broader professional services

Frontline service roles such as nursing, teaching, and policing are not within scope of the budget savings or this analysis. The broader category of professional services, in which consulting services sit, is not within scope for the data analysis. There is limited visibility and reliability of professional service procurement data to conduct the analysis in the same way as is feasible for consultants.

Reporting spend on consultants and contingent labour is complicated by different categories and data systems

Spending on consultants is reported by different entities responding to operational needs, annual report disclosure requirements, or budget planning, with diverse levels of disaggregation and classification. Table 1 summarises the types of available information and the divergence in reporting requirements depending on the reporting stream. The differences across data sources make it challenging to create an accurate or comprehensive picture of what is being procured, who is procuring and supplying, and for what purpose.

Importantly, this analysis involves judgements about how procured projects should be categorised into relevant work types to produce sector-wide insights. Attempts at systematic triangulation of insights related to specific projects, as distinct from total expenditure and sector-wide patterns in that expenditure, would require a level of confirmation that is not feasible given the numbers of projects and agency teams involved over 10,000 projects.

Table 1: Comparison of data sources of government spend on consultants

	Business Advisory Services	Annual report disclosures	TSS Accounts	Spend Cube
Responsible agency	New South Wales Procurement	NSW Government agencies	NSW Treasury (department)	New South Wales Procurement
Disaggregation or unit level	Invoices	Projects or contracts	Reporting entities (agencies)	Invoices
Data source	Data collection from suppliers	Agency attested	Agency attested	Raw invoices
Data type				
Administrative	●	●		●
Financial			●	
Audited		▲	●	
Funding type coverage				
Recurrent	●	●	●	●
Capital	●	●		●
Data coverage				
Consultant	●	●	●	●
Professional services	▲	▲		●
Data variables available				
Numeric only			●	
Description of project	●	●		▲

Legend:

● indicates characteristic is present.

▲ indicates characteristic might be present for some cases.

Annual report disclosures data on consultant spends was categorised into 4 main work types and 17 sub categories

To support finer-grain analysis to better understand spend and its drivers, a categorisation was applied to consultant projects based on available information about the project title and consultant. Agencies are not required to disclose a project name or the supplier for contracts under $50,000.

However, in some instances, agencies provided groupings of under $50,000 contracts with a descriptor of the work type, which was then classified against these categories.

The categorisations were defined by labelling contract descriptions in the annual reports, cross-referenced with activities described within the Public Service Commission's Capability Framework and NSW Procurement's current classification of work types. The 4 work categories and 17 work types (Table 2) were developed to go beyond categorising outputs normally delivered by consultants, to also to point towards the kinds of capabilities and functions that already exist, or could be developed, in public sector agencies. Extending the categorisations to other data collection and analysis, such as public service skills and activities, contributed to creating a sector-wide view to support detailed research and analysis.

Table 2: Categorisations manually applied to ~10,000 engagements to better understand consultant spending

	Consultant engagements have been categorised into these work types
Work to build physical and digital infrastructure	Infrastructure and Capital Works Advisory Information and Communications Technology (ICT) Advisory and Assessment Project Management
Work requiring technical expertise or independence	Audit, Assurance and Risk Management Finance and Accounting Services (including procurement) Internal organisational operations and management (including human resources) Legal Modelling and Analysis
Work requiring generalist skills or analytical expertise	Business Case and Economic Appraisal Data and digital development and products Policy and Legislation Evaluation and Design Program Evaluation and Administration Research, Analysis and Insights Strategy Development (strategic plans and review)
Work augmenting the delivery of government services	Communications, Stakeholder Engagement and Copy Editing Service Design and Transformation Natural disaster and incident response planning

3. Key insights on external resourcing spend patterns and drivers

Consultants were engaged just over 10,000 times from 2017-18 to 2021-22 over different categories of work

Analysis of agency annual reports identified 10,006 projects, which were then categorised as described above. Within those broad categories, the 3 work types engaged the most since the 2017-18 financial year have fallen in total over the period. The total number of contracts have fallen across all except 4 work types, while average contract prices rose over the period for most work types. The pattern of lower contract volumes but at higher prices could indicate several procurement behaviours and market forces ranging from greater levels of contract bundling or variations, less contract splitting or longer contractual engagements for inherently bigger projects.

Table 3: Frequency of consultant work contracts by work type with average total contract price and five-year change, 2017-18 to 2021-22

Broad category of work type	Total no. of contracts (FY18 to FY22)	5-year change in volume	Avg contract price FY2018	Avg contract price FY2022	5-year Avg contract price change
Work requiring specialised technical expertise and/or independence	3130	-79.0%	$78,666	$241,322	206.8%
Finance and Accounting Services (including procurement)	519	-7.7%	$699,599	$435,969	-37.7%
Internal organisational operations and management (including HR)	1772	-85.6%	$25,109	$116,452	363.8%
Legal	408	-94.4%	$52,391	$517,035	886.9%
Audit, Assurance and Risk Management	310	-58.9%	$44,781	$140,838	214.5%
Modelling and Analysis	121	33.3%	$212,925	$193,065	-9.3%
Work building physical or digital infrastructure	1019	-50.4%	$187,275	$136,000	-27.4%
Infrastructure and Capital Works Advisory	489	-30.2%	$373,622	$141,420	-62.1%
Project Management	120	-50.0%	$233,208	$264,117	13.3%
ICT Advisory and Assessment	410	-62.0%	$69,413	$89,837	29.4%
Work requiring generalist skills or analytical expertise	1523	-50.4%	$82,068	$191,161	132.9%
Strategy Development (strategic plans and review)	206	32.4%	$167,730	$346,944	106.8%
Business Case and Economic Appraisal	230	62.5%	$114,767	$231,938	102.1%
Research, Analysis and Insights	675	-69.0%	$36,664	$112,027	205.5%

Broad category of work type	Total no. of contracts (FY18 to FY22)	5-year change in volume	Avg contract price FY2018	Avg contract price FY2022	5-year Avg contract price change
Program Evaluation and Administration	160	32.1%	$199,062	$145,414	-27.0%
Policy and Legislation Evaluation and Design	180	-89.3%	$102,244	$94,526	-7.5%
Data and digital development and products	72	-31.3%	$203,784	$181,538	-10.9%
Work augmenting the delivery of government services	425	-44.6%	$87,113	$208,353	139.2%
Service Design and Transformation	223	-21.4%	$93,053	$250,393	169.1%
Communications, Stakeholder Engagement, Copy Editing	179	-62.5%	$78,097	$149,734	91.7%
Natural disaster and incident response planning	23	-33.3%	$172,258	$130,189	-24.4%
Other	3909	-29.7%	$29,022	$19,928	-31.3%
Total	10006	-57.4%	$75,180	$119,246	58.6%

Notes. FY23 from Annual Report data is excluded from this table. **'Other'** indicates disclosures which do not have sufficient descriptive information available to classify them (made up predominately of under $50,000 disclosures that are not required to provide description), or for niche consulting work.

'Legal' includes contracts disclosed in Annual Reports, likely interpreted by disclosing agencies as those within Scheme 5 Performance and Management Services only. However, legal services can be engaged through other schemes such as the Legal Services Panel, and Scheme 135 Corporate and Transaction Advisory and Public Private Partnership Financial and Specialist Industry Advisory, and so the figure is likely conservative.

Agencies are spending the most on consultants to perform specialised technical expertise, followed by work to build physical and digital infrastructure, and then by work requiring generalist skills or analytical expertise (see Table 4).

Table 4: Ranked spend on consultants by broad work category, work types and five-year change

Broad category of work type	Total spend FY18-22	5-year change
Work requiring specialised technical expertise and/or independence	**$391.3M**	**-35.7%**
Finance and Accounting Services (including procurement)	$190.9M	-42.5%
Internal organisational operations and management (including HR)	$101.1M	-33.2%
Legal	$47.7M	-44.7%
Audit, Assurance and Risk Management	$28.1M	29.3%
Modelling and Analysis	$23.5M	20.9%
Work building physical or digital infrastructure	**$242.4M**	**-64.0%**
Infrastructure and Capital Works Advisory	$170.5M	-73.6%

Broad category of work type	Total spend FY18-22	5-year change
Project Management	$38.4M	-43.4%
ICT Advisory and Assessment	$33.6M	-50.8%
Work requiring generalist skills or analytical expertise	**$196.7M**	**15.5%**
Strategy Development (strategic plans and review)	$53.2M	**173.8%**
Business Case and Economic Appraisal	$42.2M	**228.4%**
Research, Analysis and Insights	$43.5M	-5.4%
Program Evaluation and Administration	$24.5M	-3.5%
Policy and Legislation Evaluation and Design	$20.0M	-90.1%
Data and digital development and products	$13.3M	-38.8%
Work augmenting the delivery of government services	**$49.5M**	**32.6%**
Service Design and Transformation	$26.3M	**111.4%**
Communications, Stakeholder Engagement, Copy Editing	$19.3M	-28.1%
Natural disaster and incident response planning	$3.8M	-49.6%
Other	**$93.9M**	**-51.8%**

Notes: FY23 from Annual Report data is excluded from this table. '**Other**' indicates disclosures which do not have sufficient descriptive information available to classify them (made up predominately of under $50,000 disclosures that are not required to provide description), or for niche consulting works.

'**Legal**' includes contracts disclosed in Annual Reports, likely interpreted by disclosing agencies as those within Scheme 5 Performance and Management Services only. However, legal services can be engaged through other schemes such as the Legal Services Panel, and Scheme 135 Corporate and Transaction Advisory and Public Private Partnership Financial and Specialist Industry Advisory, and so the figure is likely conservative.

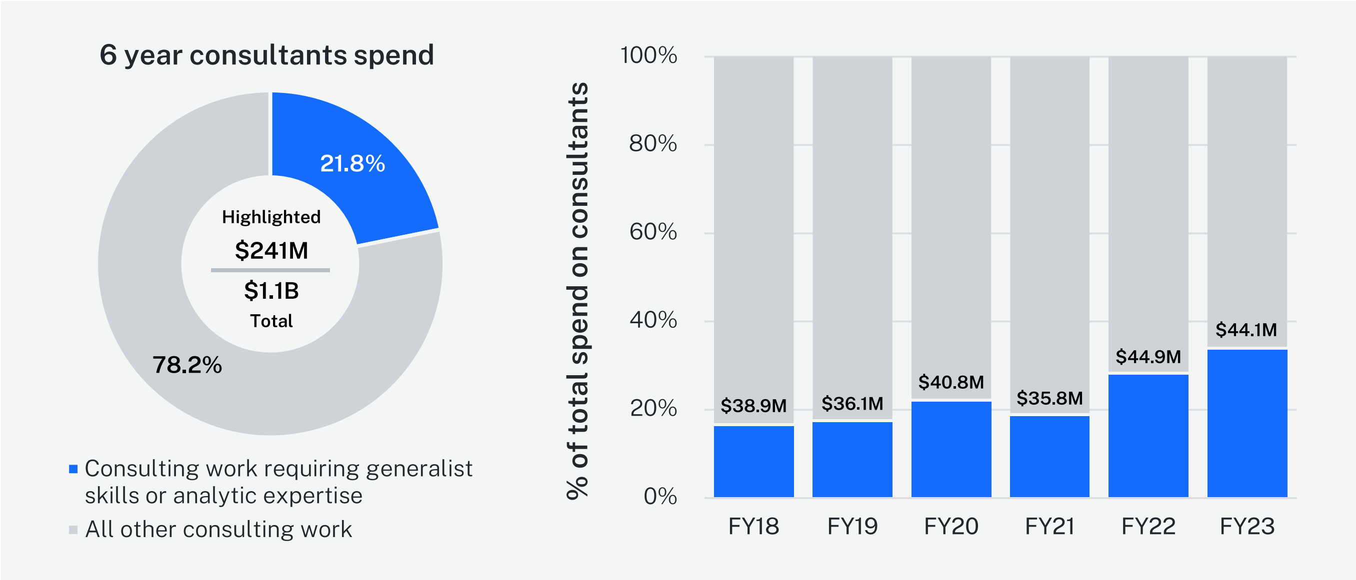
Consultants are increasingly engaged to perform generalist work

Across 2017-18 to 2021-22, delivering generalist work amounts to 1,523 (15%) of NSW Government spend on consulting services, totalling $196.7 million. It has grown over the last 5 years to represent almost a third (28%, $44.9 million) of all contracts in the 2021-22 financial year.[2]

The generalist-related work category is composed of the work types outlined in Table 2, and includes work on policy design, program evaluation, research and analysis, and strategy development. Analytical expertise is a term used to describe the capabilities needed for different kinds of analysis (e.g., economic appraisal or legislative analysis), at a level of capability where more generalist staff can be expected to have that capability (and the skills to identify where more expert input is needed for a given work task, for example from a specialist economic appraisal or legal team).

[2] This includes business case development, strategic planning and analysis.

Figure 4: Spend on consultants for work requiring generalist skills or analytic expertise as proportion of total spend on consultants, 2017-18 to 2022-23



Greater total and proportional spend on generalist work supplied by consultants appears contradictory to the shift to a 'generalist public service'

The *Government Sector Employee Act 2013* (NSW) emphasises the importance of workforce mobility as a crucial enabler of responsiveness and adaptability in the government sector. In line with this legislation, the NSW Public Service Commission developed the NSW Public Sector Capability Framework, which sets out generic or common capabilities in 'policy' and 'project administration'.

For example, key accountabilities common to senior 'policy sector' roles include undertaking research, analysis, and review of complex policy issues (NSW Public Service Commission, 2024a). Key accountabilities for senior 'project sector' roles include leading and overseeing all aspects of project development and implementation across a portfolio of complex projects, including preparing business cases and project plans (NSW Public Service Commission, 2024b). Despite this focus, spend on generalist work from consultants has increased over time, which could suggest:

- The volume of work is outstripping the capacity for internal resourcing (on-going employees) to complete it within periods of surge demand or with reprioritisation.
- There is misalignment between what is considered as generalist skills in the public service compared to generalist work required by government activity. The analysis identified that preparing business cases is an example of work that is now required on a more frequent basis: not all business cases have the level of complexity that would warrant outsourcing to specialists but there is some evidence that there is a perception this is more specialist work.
- Other demand drivers behind engaging consultants for generalist work, that are not related to the normal capacity or the capability of the internal team to complete it include the fact that public servants must responsively service requests from other agencies or respond to natural disaster impacts that may not have been anticipated in agencies without direct portfolio responsibility for disasters.

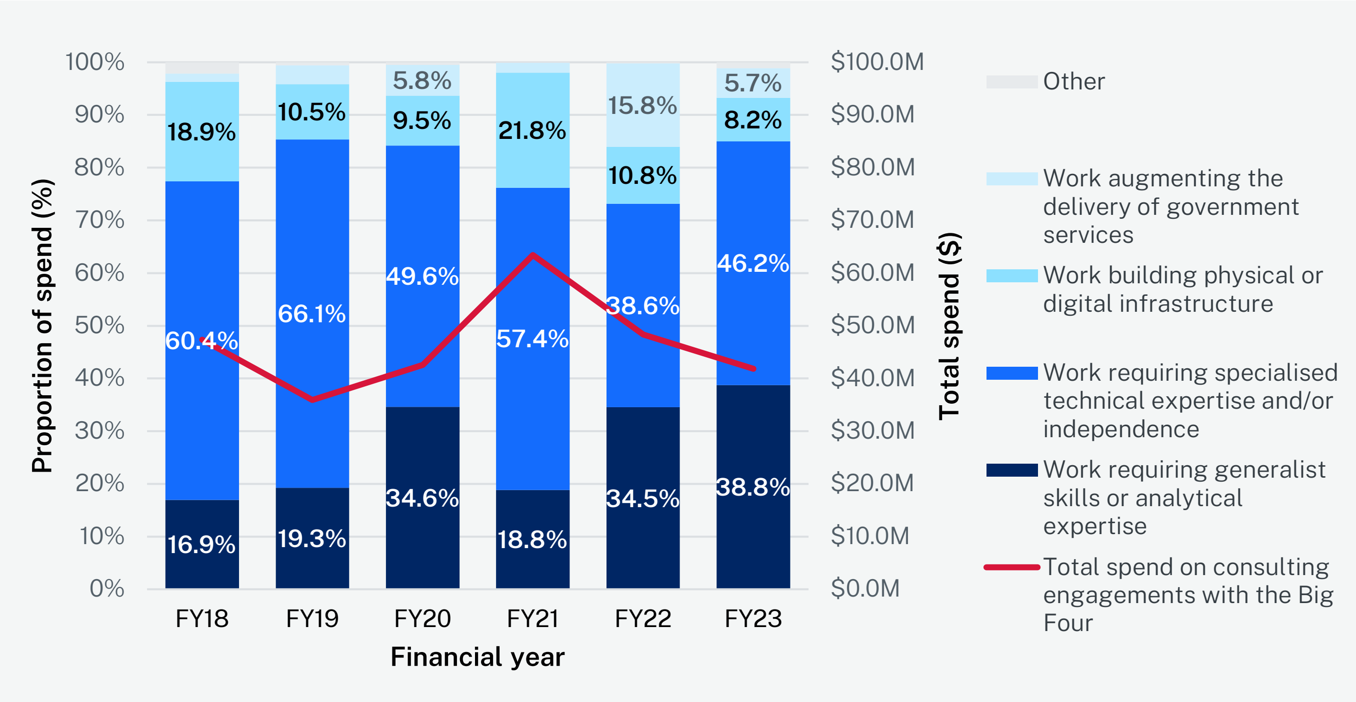
The Big Four professional services firms increasingly do generalist work, alongside potentially sensitive specialist work

Just under half of all spend in generalist work throughout the 5 years from 2017-18 is with large firms, including the firms known as the Big Four (45%). An increasing proportion is being supplied by the Big Four — in 2017-18, they accounted for just under one sixth of spend on generalist work, and this grows to nearly a quarter in 2021-22. In contrast, the share of specialised technical work or work requiring independence shrinks.

What agencies spend on with the Big Four is also shifting (see Figure 5). In 2017-18, $28.6 million (60.4%) of spend with the Big Four was to supply technical work. By 2021-22, this had shrunk to

$18.7 million (38.6%), representing a fall of just over a third. In contrast, generalist work made up $8.0 million (16.9%) of spend in 2017-18, over doubling in 5 years to $16.7 million (34.5%).

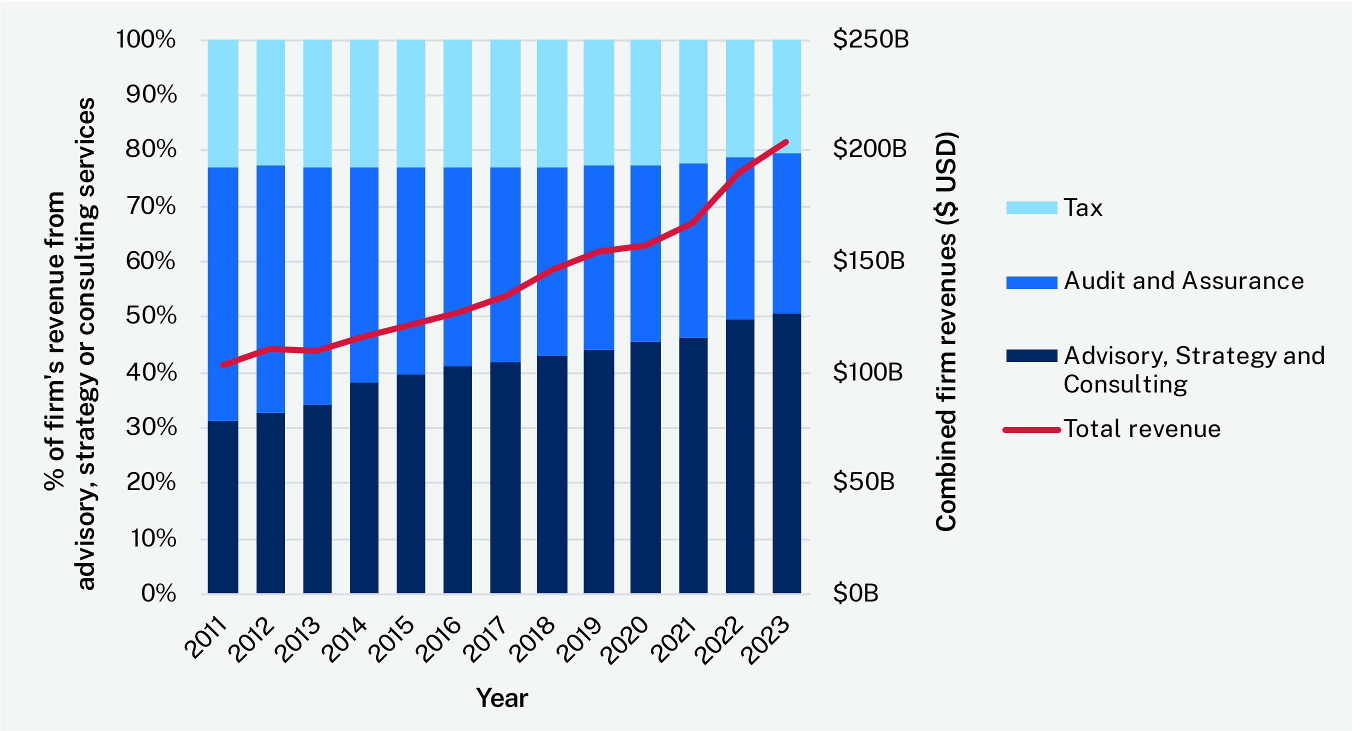
Figure 5: Proportion and total of spend with Big Four professional services firms by broad work category, 2017-18 to 2022-23



Big Four firms were once focused on predominately tax, audit and assurance. Patterns of spend by NSW Government mirror broader global trends for these multi-national partnerships, whose global revenues from business advisory and strategy services have been growing strongly as a proportion of total revenues for at least the last 10 years, compared to tax and audit service lines (see Figure 6). Business advisory and strategy services include advice on topics and capabilities like digital transformation, data analytics and policy.

The concurrence of the Big Four's business activities has been regarded as raising the risk of actual or perceived conflicts of interest due to the holding and management of sensitive information procured through alternative contracts and held within a single organisation. In Australia, there have been several calls by former regulatory bodies and competition watchdogs to separate auditing and consulting services held by large firms. It is within the potential scope of the Australian Competition and Consumer Commission to manage how consulting services firms are engaged within the marketplace, including how value-for-money is derived by the government (Fels, 2023). The Australian Government is currently engaging on this issue, and other issues as part of its consideration of the regulation of accounting, auditing, and consulting firms in Australia (The Treasury, 2024).

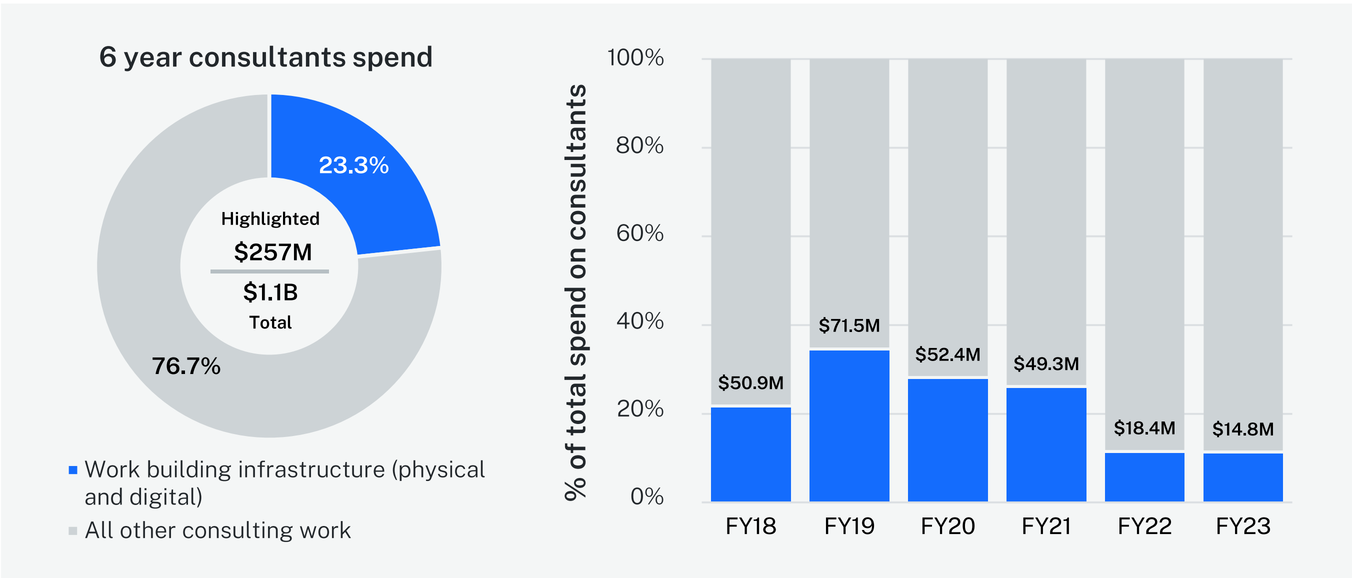
Figure 6: Proportion and total of Big Four professional services firms' global revenue by service line, 2010-11 to 2022-23



Consultancy spend on infrastructure peaked in 2018-19

Over the 5 years from 2017-18, infrastructure-related work has fluctuated, representing over a third (34.6%) of all spend in 2018-19 at its peak to just over a tenth (11.6% in 2021-22 and 11.4% in 2022-23). Overall, between 2017-18 and 2022-23, almost a quarter of all spend on infrastructure-related work was done by large firms (23.7%), while another 7.9% was supplied by the Big Four firms.[3]

Figure 7: Spend on consultants for work building physical and digital infrastructure as proportion of total spend on consultants, 2017-18 to 2022-23



The infrastructure-related work category is composed of the work types outlined in Table 2. Engagements classified to this category relate directly to an infrastructure asset's design, build or

[3] Note manual identification of Big Four and large firms among all suppliers identified in agency annual reports, between 2017-18 and 2021-22. Indicatively, 42.4% of firms were small and medium-sized enterprises or other (not-for-profits, universities, etc). However, there is less confidence in the coding of small to medium-sized enterprises as there was less publicly available information about them.

development. It does not include ancillary consulting (advisory) services related to producing evidence for infrastructure or its approval (for example, business cases), nor its management (for example, renegotiation of commercial arrangements for infrastructure assets, legal services, or transaction services related to the sale of infrastructure assets). Note that only a proportion of project management engagements are to do with physical infrastructure build, as ICT project management is also a part of this work type classification.

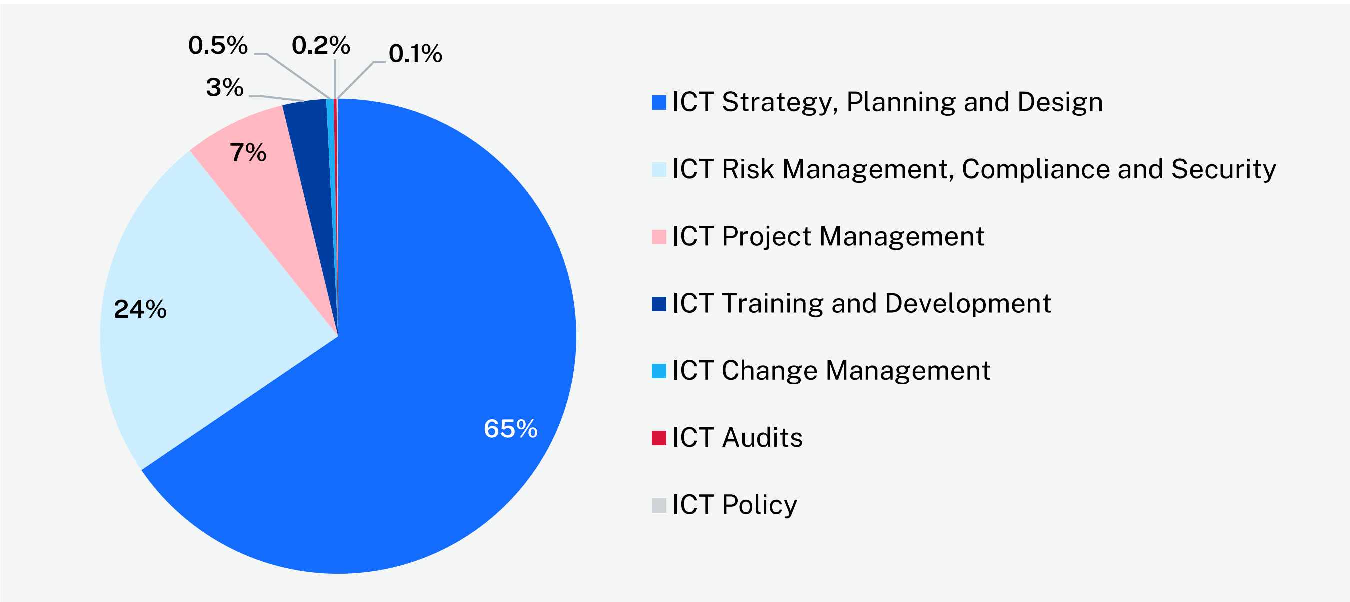
Project management is essential for an infrastructure project of any size. For especially large, complex, technical projects, agencies might engage project management services through multiple resourcing pathways.

Engagement trends on infrastructure are related to a range of factors:

- NSW's record levels of infrastructure investment in recent years. An increase in spending on infrastructure in a system that does not have large reserves of spare capacity will lead to increased rates charged by suppliers.
- The size of spend on single projects putting upward pressure on costs for back-office functions and the need for capability and precision. Given the complexity of large infrastructure projects, the cost differentials between project managers is relatively small when compared to the financial consequences of poor project decisions. For example, the remuneration levels for project managers may span $200,000-300,000 dollars but the consequences of poor decision-making from a less experienced project manager could be in the millions of dollars.
- The sheer volume, pace, and technological newness of some of the projects being built. For example, Sydney Metro was the first driverless metro in the country and the skills and experience required to build at scale were not available locally.
- Retaining dedicated ongoing teams given time-limited capital funding has not been the predominant approach.

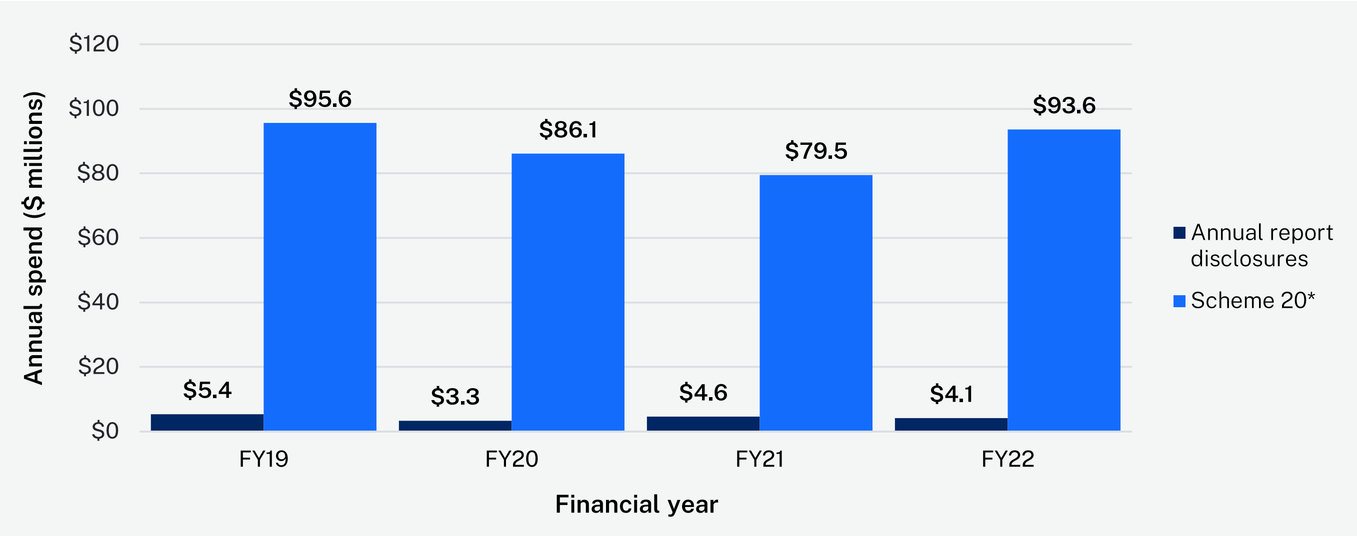
This research also considered some specific elements of ICT advisory services, which often procured by what is known as Scheme 20. Scheme 20 is a whole of government ICT services scheme of 18 defined categories, each of which includes within it services that are equivalent to consulting work. For this element of the research additional data sources and coding are utilised, noting these are not generally able to be reconciled with annual report data.

Figure 8: ICT advisory spend within Scheme 20 by sub-engagement 2022-23^. Source: DCS supplier reported data for top 9 suppliers in ICT Consulting commercial framework



It is estimated that NSW spent $93.6 million on ICT advisory services in 2022-23 and $354.8 million over four years, compared to $17.4 million over four years in agency annual reports (Figure 9). If we assume that the advisory services are of a similar nature to the consulting services reported in annual reports, and that annual report disclosures are largely accurate, this would make ICT advisory the most procured type of work by spend (Table 4).

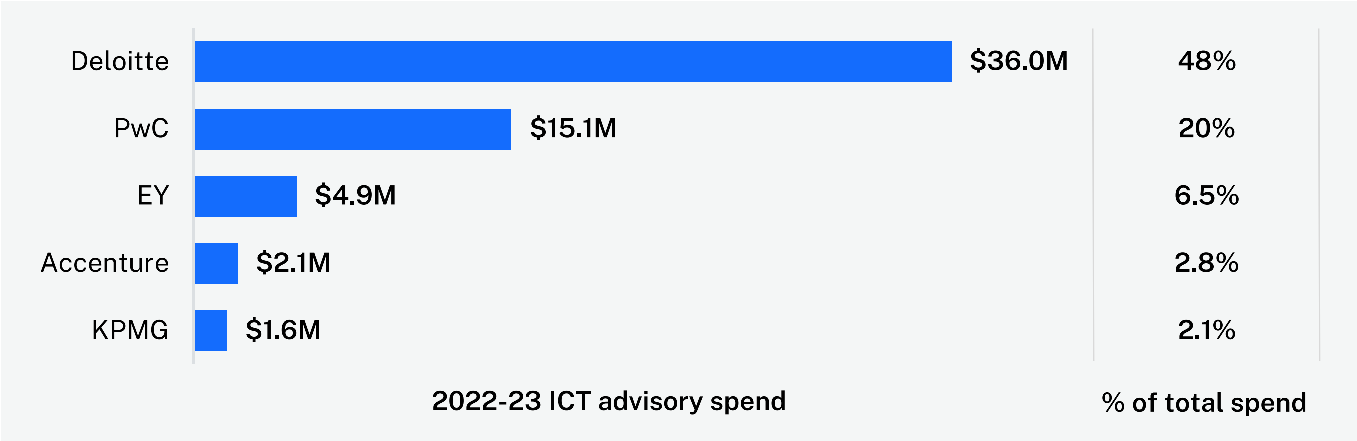
Figure 9: ICT advisory services estimated annual spend according to agency annual reports and Scheme 20 supplier data from Spend Cube, 2019-20 to 2022-23. Source: DCS, annual report data



Note: *Around 20,000 transactions were coded as either advisory, implementation or managed services. Transactions with unclear descriptions were distributed to a category based on historical averages to ensure that the total annual spend was accurate, making the figures estimates while still providing a reasonably accurate breakdown.

Considering advisory services alongside consulting services may represent a future opportunity for system-wide stewardship. Future opportunities to reduce advisory spend would need to be considered against the relevant trade-offs such as impacts to digital service delivery. Further insights could also be identified into the external resourcing being used. Figure 10 illustrates the top 5 suppliers of ICT advisory services^ within Scheme 20.

Figure 10: Top five suppliers of ICT Professional services that are advisory services within Scheme 20^, 2022-23



^ Spend reported by top 9 suppliers under the ICT Consulting Commercial Framework.

Specialist technical expertise and independence is the largest category of consultant spend

Agencies are spending the most on consultants to perform work requiring specialised technical expertise and/or perform work requiring independence, totalling $391.1 million from 2017-18 to 2021-22. In many instances this specialist skill is based on industry experience with other clients or professional membership with a discipline-based association. The ability to deliver a combination of specialist services simultaneously and at-scale generally preferences large professional services firms with many diverse service lines. For example, complex department-wide structural reviews are dominated by the Big Four, with 9 of the top 15 contracts by spend for internal organisational operations and management services being supplied by them.

Legislative requirements and context-specific factors, including the need for external financial audits of funding agreements and audits arising out of responses to inquiries, will continue to drive consultant engagements with a clear need for independence.

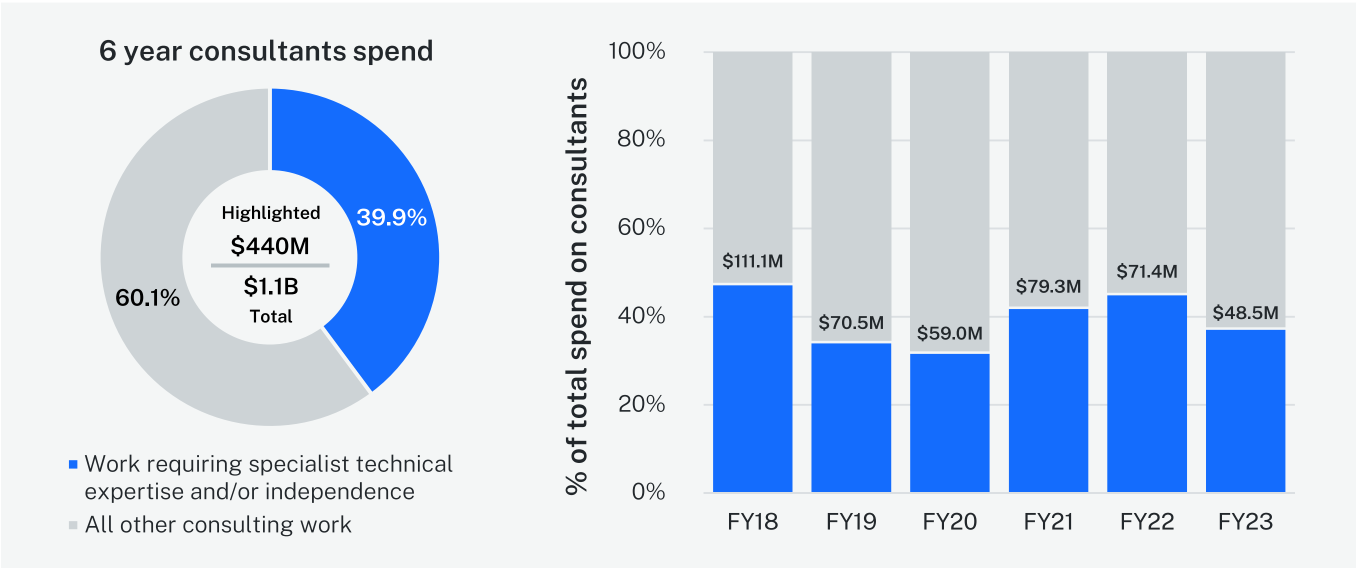
Demand drivers include:

- Legislative requirements for independence (for example, performance audits where the agency cannot audit itself).
- Contextual factors including funding agreements (for example, the need for an external financial audit of accounts with private hospitals, under a National Partnership Agreement with the Commonwealth Government).[4]
- Significant change in accounting standards requiring specialist capability to respond to.
- Writing technical analysis or papers, where the Audit Office was otherwise unable to provide timely support.
- Potential sensitivities of audits, particularly those arising out of inquiries.

More investigation is needed to understand where highly technical or independence is genuinely required, as opposed to where it could be feasibly undertaken internally within the team, department or sector.

Meaningful coordination across teams or agencies when requiring externally resourced specialists could help leverage scale and eliminate duplication. NSW Health has centralised coordination of rolling property audits and valuations of hospitals across all NSW health districts, which had historically been purchased in an ad-hoc manner by individual districts. NSW Health now go to market with a three year-long pipeline of stable business for a supplier, which positions the agency to better to negotiate for lower costs.

Figure 11: Spend on consultants for work requiring specialist technical expertise and/or independence as proportion of total spend on consultants, 2017-18 to 2022-23

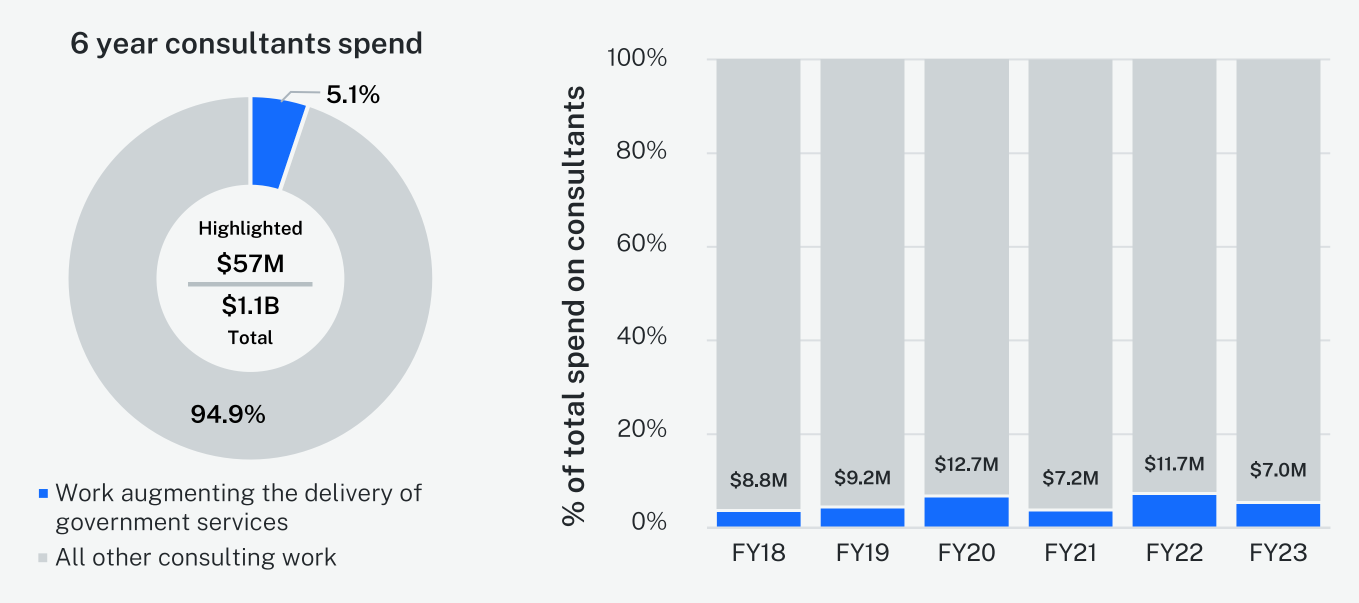


The smallest category of consultant spend is in work augmenting the delivery of government services

By proportion of total recurrent and capital spend, agencies spend the lowest proportion of the four work categories on procuring ‘work augmenting the delivery of government services’. It is likely these work types embedded in other procured projects classified using other labels, but from the available project descriptions it is impossible to estimate the portion of a project’s spend or effort on different composite work types.

[4] Consultants are excluded from external audit of financial statements and performance audits, but other audit work can be undertaken by consultants.

Figure 12: Spend on consultants for work augmenting the delivery of government services as proportion of total spend on consultants, 2017-18 to 2021-22



Over the 5 years from 2017-18, government services-related work has fluctuated, representing 5.1% of total spend in the period (see Figure 12). Undisclosed work type spend (contracts under $50,000) were a large proportion of the total number of engagements in this work category, making up over 43.3% in the same period.

There could be a few reasons for a low figure, including that:

- Agencies considered engagements of this work type to be non-advisory professional services. A lack of shared understanding about if work is 'advisory' is likely more acute for categories such as 'communications, stakeholder engagement and copy editing'.
- There are other ways of resourcing suppliers to augment government service delivery or for third parties to directly deliver services to the community, such as grants and subsidies.

Consulting services are predominantly procured from private sector suppliers

For consulting services, agencies consistently spend the most on private sector suppliers. This classification includes large firms, including the Big Four professional services firms (Deloitte, PwC, EY, KPMG), and small to medium-sized enterprises. Between 2017-18 and 2021-22, at least 86.2% of total spend for all externally resourced work was with private sector suppliers.[5]

In the same period, the proportion of total public expenditure on total private sector suppliers has slightly increased from 84.7% in 2017-18 to 87.4% in 2021-22. In contrast, agencies consistently spend less on not-for-profits, civil society, and other government agencies (within the NSW Government, Total State Sector (TSS) or to Commonwealth agencies). In 2021-22, only 2% of spend on consulting services was with universities.

[5] Note between 2017-18 to 2021-22, a total of 11.3% of spend is has an undisclosed supplier (under $50,000) Should the same proportion of private firms supply under $50,000 consultancies as over $50,000, then the rate would be 96.0%.

Contingent labour is the largest and fastest growing method of external resourcing

Across the Total State Sector (TSS)[6], generally over 6 years:

- From 2017-18 to 2021-22, the amount spent on consultants (capital and recurrent) has fallen by 32.5%, from $234.8 million to $158.5 million. In 2022-23, recurrent and capital consulting services spend fell further to $129.9 million, which represents a fall of 44.7% from 2017-18.[7]
- From 2018-19 to 2022-23, spend on contingent labour rose by 28.3%, from $1.385 billion to $1.777 billion.
- For contingent labour, agencies are consistently and increasingly spending the highest proportion on 'professional' contingent workers[8] within Scheme 7. From available categorisations, spend in 2018-19 on 'professional' contingent workers was $397.9 million (28.7% of total expenditure in that year). By 2022-23, it was $840.4 million (47.3%) — an 111.2% increase. The occupation group with the second highest spend was 'manager' contingent labour[9] representing 22.2% of total expenditure. This category of spend has grown 103.7%, from $233.6 million to $475.8 million. Without greater coverage of role descriptions, generic categorisations of 'professional' and 'manager' lack specificity for informed action. Improvement in data capture is a foundational step towards changes in this context.

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[6] General Government Sector (GGS) entities make up 85% ($165.6 million) of all spend on consultants in the Total State Sector (TSS) (proportion of 5-year average between 2017-18 to 2021-22) and the trends in work categories are broadly similar for within GGS and for the TSS.

[7] This data is based on Annual Report Disclosures which include capital and recurrent expenditure. Other data sources used to track expenditure and budget targets such as Total State Sector Accounts (TSSA) only include recurrent which is why there is variance in the reported figures.

[8] ANZSCO major group 2 Professionals perform analytical, conceptual, and creative tasks through the application of theoretical knowledge and experience in many fields including business, design, engineering, transport, education, health, information and communication technology, the law, social sciences, and social welfare. Most occupations in this major group require tertiary studies (Australian Bureau of Statistics, 2024).

[9] ANZSCO major group 1 Managers plan, organise, direct, control, coordinate and review the operations of government, commercial, agricultural, industrial, non-profit and other organisations, and departments. (Australian Bureau of Statistics, 2024)

At a glance: consultant and contingent labour category spending

Figure 13: 5-year category analysis of spend on consultants and contingent labour

Spend on consultants

2017-18 to 2021-22

Largest spend*
$63.7M
FY18
Finance and Accounting Services (including procurement)

Fastest growing*
x3.3
FY18 to FY22
Business Case and Economic Appraisal

Greatest number of contracts*
1772
FY18 to FY22
Internal organisational operations and management (incl. HR)

Highest average contract price*
$367.8K
FY18 to FY22
Finance and Accounting Services (including procurement)

Spend on contingent labour

2018-19 to 2022-23

Largest 5-year spend
$1.8B
FY19 to FY23
ICT professionals (ANZSCO 2-digit)

Fastest growing˃
Up **73.0%**
FY19 to FY23
Software and Applications Programmers (ANZSCO 4-digit)

Highest average full time equivalent (FTE)^
1608
FY19 to FY23
ICT professionals (ANZSCO 2-digit)

ICT Project Manager cost#
$249.2k
FY19 to FY23
Median across all hires (annualised hourly rate)

* Spend comparisons are performed at sub-category level (see Table 2 on work types for full list of 17 sub-categories).

˃ Fastest growing occupation (ANZSCO 4-digit) of top 10 occupations by total FTE, and highest by net change.

^ Full Time Equivalent (FTE) is a unit of measurement counting the number of full-time hours worked by all employees in a business. Using FTE captures the overall workforce resourcing level accounting for part-time and temporary workers, who might lift the headcount in a misleading way.

Figure is calculated by annualising the billable hourly rate, which includes on-costs to NSW Government. It is not the take-home pay of the worker.

Combined view of consultant and contingent labour spend

Combining the types of work agencies engage consultants for with agency's related contingent worker roles reveals larger patterns in external resourcing practices.

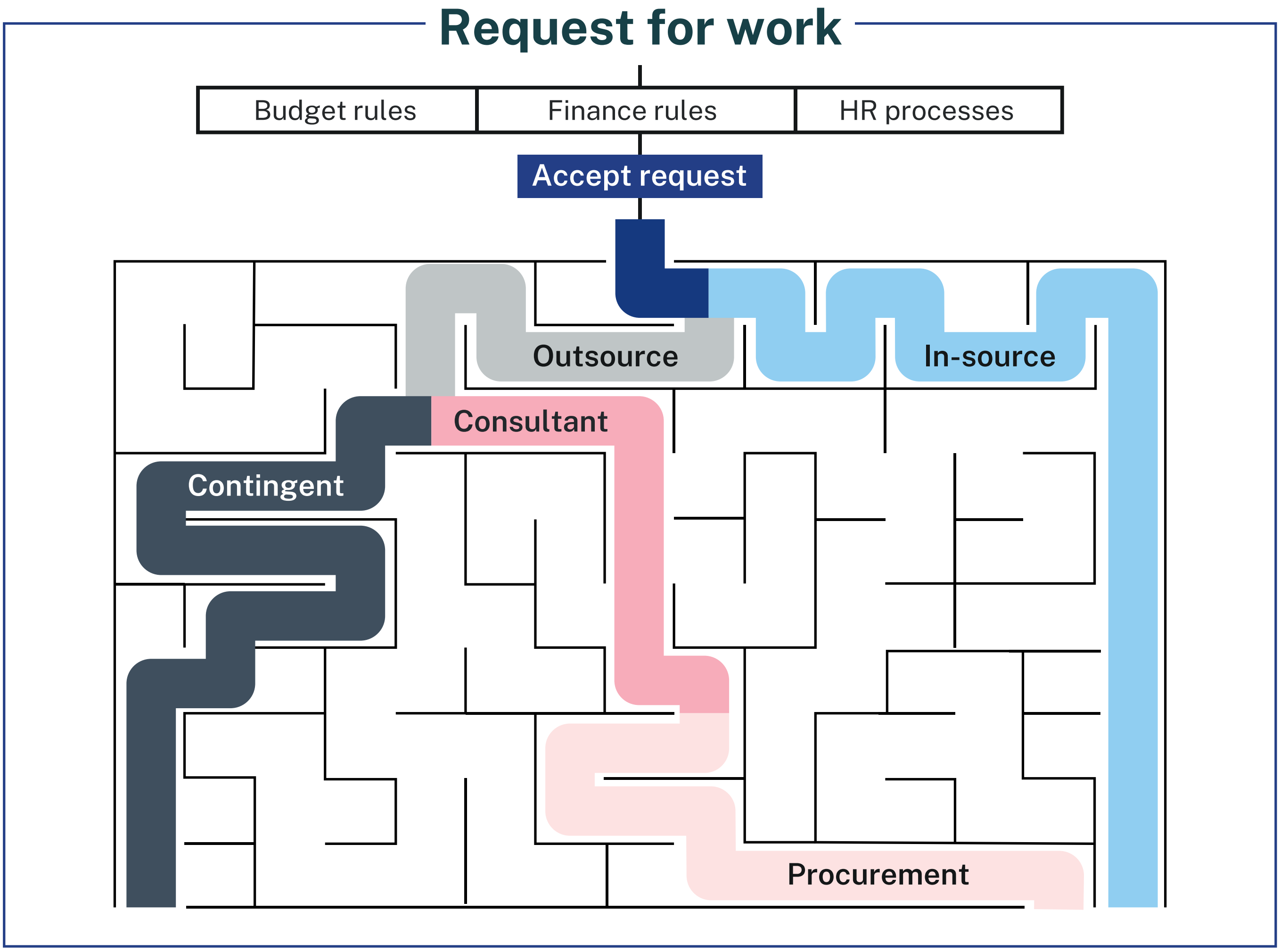
When spend on consultants and contingent labour is combined, the highest ranked category of spend is on activities relevant to building and infrastructure (physical and digital) at $3.18 billion. This is notable given physical infrastructure-specific contingent labour schemes are excluded.

Table 5: Ranked external resourcing spend on consultants and contingent labour, five-years

	Consultants spend	Related contingent labour spend	Combined spend
Inclusions	*5-year to FY22, capital and recurrent, TSS, annual report data, unaudited)*	*5-year to FY23, TSS, Scheme 7 Contingent Workforce only, Vendor Management System (VMS) data)*	
Work building infrastructure (physical or digital)	$242.4M	$2.94 B	$3.18 B
Work requiring specialised technical expertise and/or independence	$391.3M	$1.27 B	$1.66 B
Work requiring generalist skills or analytical expertise	$196.7M	$0.56 B	$0.76 B
Work augmenting the delivery of government services	$49.5M	-	$49.5 M

These insights reflect the sector-wide outcomes of thousands of decisions by public servants responsible for delivering work. Figure 14 is a visualisation of the main options available to an individual executive upon receiving a request for additional work.

Figure 14: Conceptual map of resourcing decision pathways



In considering the drivers of demand for external resources, the research identified some key drivers. Key conclusions are:

- **Cyclical processes in budgeting, reporting, governance, and finance generate ebbs and flows in resource and capability demand.** Teams manage these peaks and troughs through flexibly expanding and contracting the workforce size to meet current needs. Procuring temporary external resources for extra capacity is the key mechanism teams use to achieve this. Over time this can condition managers' preferences, including creating a culture of turning to external resources in this situation as the norm. While it is not appropriate to create ongoing roles for intermittent work in individual business units, better data and analysis of cross-team peaks and troughs could support more informed decision-making on the feasibility of other options, for example matrix approaches to resourcing across teams and agencies.
- **Responses to increasing emergencies and disasters challenge internal capacity, capability, and structure.** Teams responding to crises, emergencies and natural disasters often need surge workforce capacity. Surge capacity is distinct from cyclical and ad hoc capacity needs due to its unpredictability and importance in a crisis. Over the least 5 years, agencies have spent on average ~$38 million annually on contingent labour to support emergency responses. This is a highly conservative estimate as it captures only spending that could easily be associated with emergency response (fire, flood or pandemic) based on the name of the relevant business unit. Increasing complexity and frequent crisis conditions require new responsive systems to rapidly secure and convene workforces. Displacing expenditure on surge-based external resourcing will require new administrative arrangements that streamline redeployment, and senior sponsorship of supporting culture shifts.

- **External resourcing is sometimes leveraged for its 'externality' (as distinct from independence), even if in-house capability exists.** This can occur where there are perceptions that the credibility of external actors will be more likely to lead to successfully navigating decision-making processes, or delivering trusted evaluations. It can also occur during periods of organisational change, when change management is perceived to benefit from an arms-length approach. There are also well-recognised contexts in community engagements where a culturally appropriate and/or trauma-informed approach involves external facilitators or community actors. Addressing this driver could occur through improved guidance about when it is appropriate to seek external contributions to work, especially if 'externality' can be found by involving resources from elsewhere in the sector.
- **Insufficient information management undermines corporate knowledge leading to dependency and duplication risks.** The public sector's role of forward planning and briefing decision makers often involves providing up-to-date information and a synthesis of available evidence that informs recommendations for future action. Large consulting firms have knowledge management strategies and invest heavily in knowledge management systems allowing them to efficiently retain, share, and reapply knowledge across clients. For example, McKinsey invests more than $600 million annually into knowledge management, development, learning, and capability building (BBG, 2020). While some efforts exist within the NSW Government to establish good knowledge management, current record management systems are designed more for compliance with classification labelling and archiving requirements than optimised for the purpose of knowledge management.

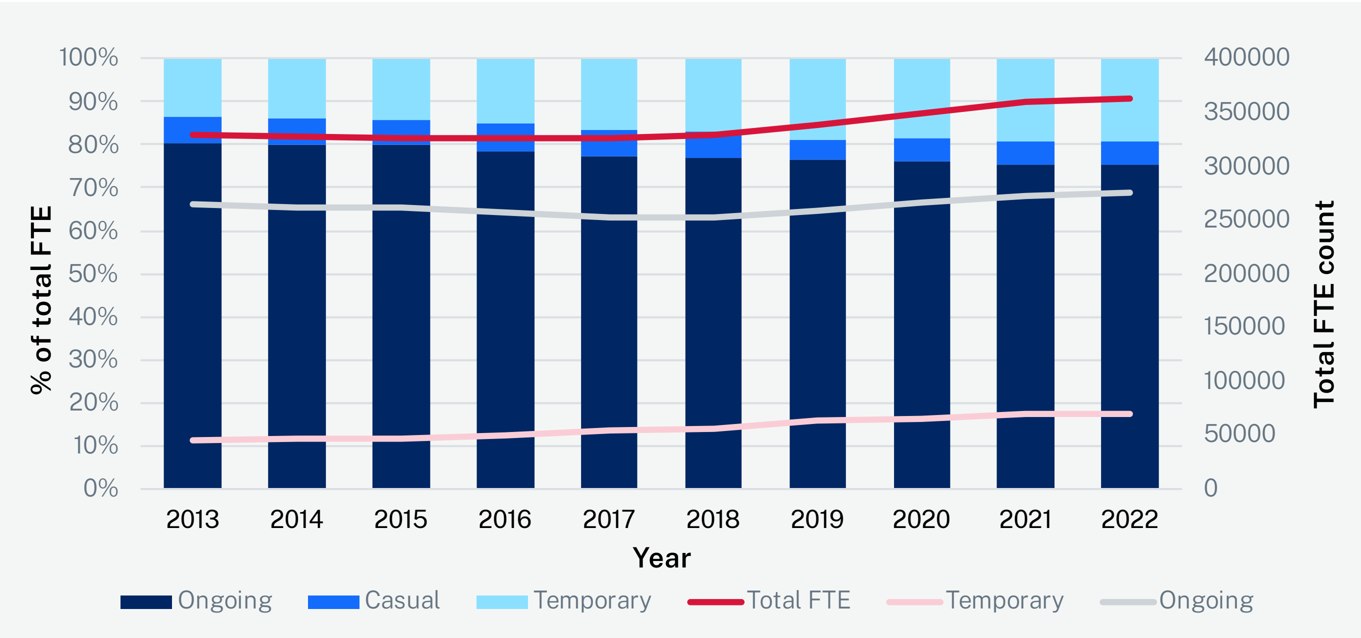
4. Aligning public sector workforce capabilities with skills required by modern government

The NSW public sector has grown over the last decade, but an increasing proportion are temporary employees and contingent workers

Between 2013 and 2022, the number of employees in the NSW public sector increased from 264,316 Full Time Equivalent (FTE)[10] to 274,617 FTE. Between 2013 and 2017, there was an average decline of 0.26% per year and then a reversal in that trend after 2018, growing 2.22% per year to 2022 (Figure 15).

The 'ongoing' category in Figure 15, which includes ongoing employees and senior executives,[11] made up 80% of the public sector workforce in 2013, but by 2022 this number had fallen to 76%. The decline in share of FTE resourcing mix was driven by growth in temporary employees, whose FTE count has grown 58% from 2013 levels.

Figure 15: Public sector FTE employee resourcing mix and count, 2013 to 2022. (Source: NSW Public Service Commission)



In 2013, the public sector had around 44,000 FTE temporary employees, representing 13% of the workforce. In 2022, the sector had almost 70,000 FTE temporary workers, representing 19% of the FTE workforce. The Public Service Commission's (PSC) 2022 Workforce Profile Report notes that between 2021 and 2022, the largest increases in temporary workers were in the Health Service such as Nursing Professionals and Medical Practitioners, temporary Education Aides in schools and an increase in temporary School Teachers (NSW Public Service Commission, 2022). Front-line employees are not the focus of this research but are provided as part of the overall picture of public sector employment in NSW over the past decade. (It is noted that the NSW Government has various initiatives underway to increase the number of ongoing employees in these front-line categories.)

[10] Full Time Equivalent (FTE) is a unit of measurement counting the number of full-time hours worked by all employees in a business. Using FTE captures the overall workforce resourcing level accounting for part-time and temporary workers, who might lift the headcount in a misleading way.

[11] Public Service Commission Workforce Profile data groups ongoing employees with contract executives (including aligned Executives Service and Special Executive Service (NSW Health, NSW Police and Transport for NSW only), Public Service Senior Executive and SES equivalent) and contract non-executives (including Contract Non-Executive and Transport Senior Managers, statutory appointees and tipstaves), under the label 'all other'. For ease of reading, this category is referred to as 'ongoing' employees.

Contingent workers are not counted in the workforce survey or represented in Figure 15. Other data sources show that the public sector is likely to have increased its use of contingent workers. Contingent workers under Scheme 7, the whole-of-government procurement scheme for non-front-line contingent workers, increased from 7472 FTE in 2019 to 8106 FTE in 2022, reflecting growth of 8.5%. This tracks against the overall growth of the sector, where the size of the contingent workforce under Scheme 7 was between 2.13% and 2.32% of the public sector employee workforce between 2019 and 2022.

Median tenure has fallen and points to increased exits from, and movements within, the public sector

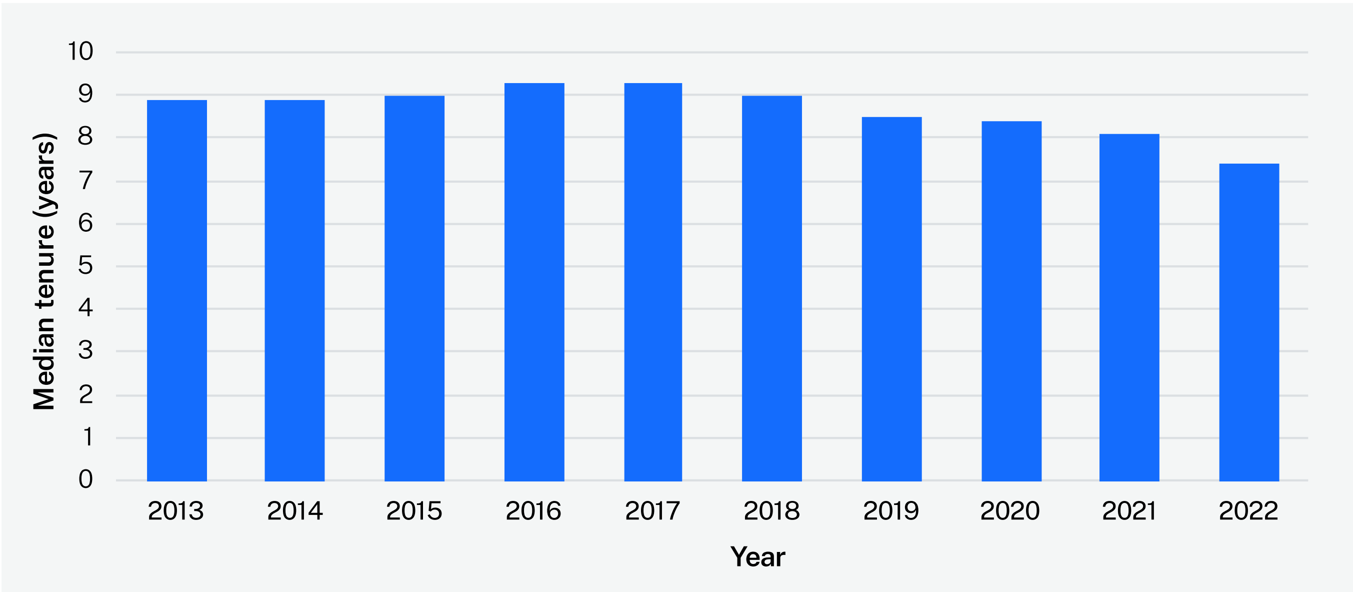
The median length of tenure for public sector employees peaked at 9.3 years in 2016 and 2017 and has trended down to 7.4 years in 2022, which is the lowest level recorded in the last decade (Figure 16). There are two notable caveats in interpreting the data and drawing conclusions:

- The measurement of tenure is based on time within a single agency, meaning that an employee's movement across the sector resets their tenure and lowers the median tenure overall.
- There are barriers in disaggregating between frontline and non-frontline employees, meaning that the tenure of employees undertaking work within the scope of this research cannot be calculated with accuracy. While the available data does not allow for this disaggregation, a sector-wide view provides a useful illustration of the level of corporate knowledge maintained within agencies.

When comparing the decline in tenure with the growth in the public sector workforce (seen in Figure 16), it suggests that a portion of decline in median tenure is due to new employees entering the sector. Decline in median tenure may also be related to exits from the sector and movements within it from one agency to another.

Determining the drivers of exits from the sector is difficult. Significant structural changes within the public sector can result in increased exits. For example, the transfer of disability services in Family and Community Services to private providers under the National Disability Insurance Scheme or the privatisation of the State Transit Authority (NSW Public Service Commission, 2018; NSW Public Service Commission, 2023). It is important to recognise that agencies with more specialised roles generally have longer tenures, and therefore workforce changes in these agencies can have a greater impact on the overall tenure trend (NSW Public Service Commission, 2023).

Figure 16: Median tenure of ongoing public sector employees at a single agency, 2013 to 2022.



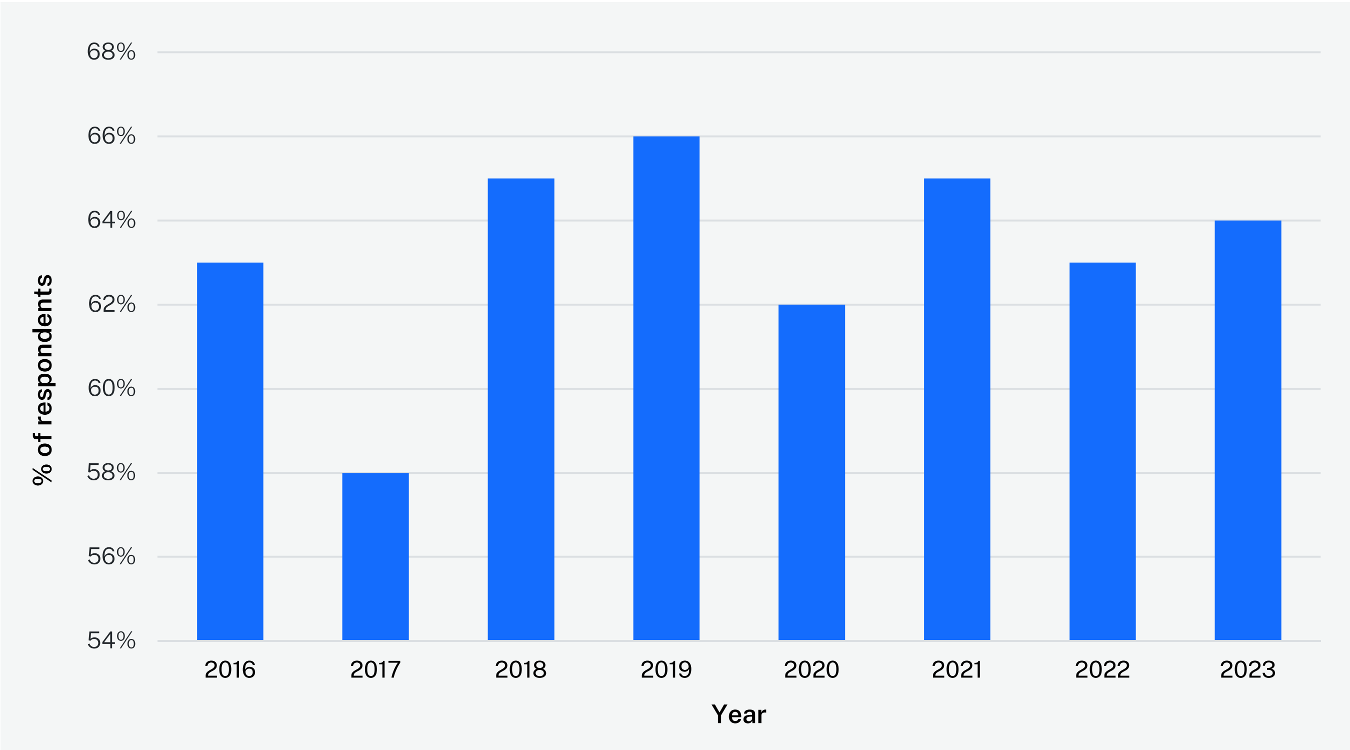
Existing workforces do not always have the skills and capability to meet government's delivery needs

Since 2016, an average of 63% of PMES (People Matter Employees Survey) respondents each year have felt they had the training and development opportunities needed to do their job well (Public

Service Commission, 2024). Qualitative research demonstrated degrees of apprehension or limited confidence about the capability of internal teams to conduct the full range of work required, especially under resource and time pressures.

Underinvesting and de-prioritising upskilling and retraining, especially when compared to private sector levels of staff development, can reduce confidence in the capability within the public sector. This may also reflect a disconnect between the sector's need to secure efficiency dividends by enhancing staff productivity and the training and development initiatives in place to achieve this enhanced productivity. Learning and development within the public sector is driven by each individual team's learning and development spending, scaffolded against the NSW Government's Strategic Workforce Plan and the Performance Development Framework.

Figure 17: People Matters Employee Survey - % of respondents that feel they have the training and development they need to do their job well, 2016-2023 (Source: NSW Public Service Commission)



Public servants' capability to do 'in-demand' work

One of the most common justifications for procuring external resources is that the capability is not present in the public service. To explore this further, the research joined PSC capability mapping skills within the public sector workforce in 2022 filtered by the 17 consultant work program categories to the annual report data on consultancy expenditure. This allows a comparison between levels of capability for a particular work function (by FTE) with the annual expenditure on consultants for that same category. This approach can help identify where the public sector may have 'in-demand' capabilities and explore, at a sector-level, whether procurement is due to a shortage of in-house resources.

In 2022, the sector had 66,463 ongoing FTE employees engaged in work similar to the work it procured consultants to do. A breakdown of these numbers in relation to procured work types is found at Figure 18. Of all the categories of work the sector has historically procured consultants to do, the highest FTE (17,947) of ongoing employees undertook work most comparable to 'Internal organisational operations and management (including HR)'. 'Research, analysis and insights' (9,556 FTE) and 'Financial and accounting services (including procurement)' (6,532 FTE) were the next two highest categories.

Figure 18: 2022 FTE of public sector employees undertaking work comparable to consultants and consultant spend, categorised by 17 consultant expenditure categories, grouped by broad work type

Broad work category	Work type	% of in-house functions	Function count 2024	% of total spend	$ spend FY22
Work augmenting the delivery of government services	Communications, Stakeholder Engagement, Copy Editing	7.2%	4,759 FTE	2.1%	$3.144 million
	Natural Disaster and Incident Response Planning	3.3%	2,198 FTE	0.2%	$0.26 million
	Service Design and Transformation	2.2%	1,447 FTE	5.6%	$8.263 million
Work building physical or digital infrastructure	ICT Advisory and Assessment	2.4%	1,565 FTE	3.5%	$5.121 million
	Infrastructure and Capital Works Advisory	4.4%	2,922 FTE	5.8%	$8.485 million
	Project Management	6.8%	4,510 FTE	3.2%	$4.754 million
Work requiring generalist skills or analytical expertise	Business Case and Economic Appraisal	0.6%	389 FTE	8.2%	$12.061 million
	Data And Digital Development and Products	4.2%	2,770 FTE	1.4%	$1.997 million
	Policy And Legislation Evaluation and Design	1.5%	1,027 FTE	0.8%	$1.134 million
	Program Evaluation and Administration	5.3%	3,554 FTE	3.7%	$5.38 million
	Research, Analysis and Insights	14.4%	9,556 FTE	6.0%	$8.738 million
	Strategy Development (Strategic Plans and Review)	4.6%	3,038 FTE	10.7%	$15.612 million
Work requiring specialised technical expertise and/or independence	Audit, Assurance and Risk Management	1.3%	888 FTE	4.2%	$6.197 million
	Financial And Accounting Services (Including Procurement)	9.8%	6,532 FTE	25.0%	$36.621 million
	Internal Organisational Operations and Management (Including HR)	27.0%	17,947 FTE	10.0%	$14.673 million
	Legal	4.8%	3,185 FTE	6.4%	$9.307 million
	Modelling and Analysis	0.3%	176 FTE	3.2%	$4.634 million

Addressing areas of work where low numbers of public service FTE correlate with high spend on consultants should be a focus for insourcing efforts

There are instances where the sector's internal capacity is low for certain types of work where spend on consultants is high. For example, in 2021-22:

- $36.621 million (25%) of consultants spend was on 'Financial and accounting services'. The number of ongoing employees undertaking comparable work in 2022 was 6,532, only 9.8% of the FTE employees doing work similar to what is procured from consultants. This suggests greater completion of this work type by internal resources may displace spend on external resources, in cases where independence is not required.
- $12.061 million was spent on consultants to perform work typed 'Business Case and Economic Appraisal', with only 389 FTE employees who could do comparable work. Consultant spend on this category of work grew 228.4% over the 5 years to 2021-22.

Consistently insufficient in-house capability to perform tasks that are outsourced to consultants, especially where external spend is increasing over time, indicates a resourcing mismatch between the public servants employed to do a type of work and the overall amount of that type of work that needs to be performed. Persistent reliance on external workforces that is hard to break may be consolidated if mismatches persist over multiple years, especially in work that is core to government decision-making. In any sector wide approach to driving insourcing these areas of work should be a focus for insourcing.

There is limited alignment between the demand for expertise and the supply of specialist capabilities and skills from in-house functions

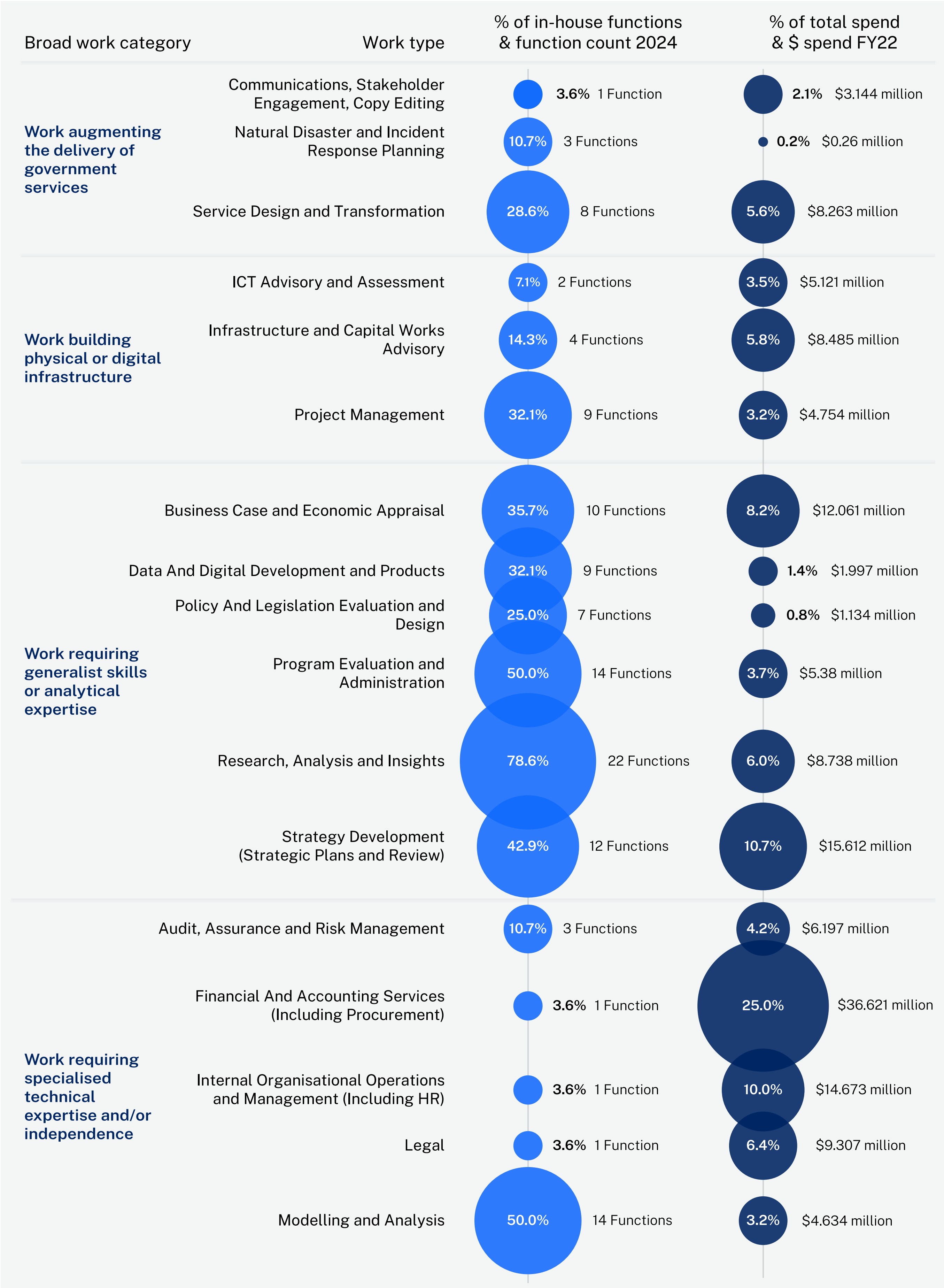
Effective displacement and reduced reliance on consultants and contingent labour rests on better access to in-house specialists to provide the expertise that agencies typically seek from external sources.

Without significant improvements in the data collected, and targeted qualitative analysis of the work procured from consultants, it is difficult to know if in-house expertise could substitute for consultants across different work tasks. Without this targeted analysis, making a direct comparison may not be accurate, as it is crucial to investigate the specific range of capabilities needed for the consultant or advisory work in question.

Given these constraints, this research cannot account for the exact nature of the deliverables agencies have historically procured, nor the exact type of work these in-house capability functions have done. However, the comparison of broad work categories is still valuable to establish a baseline understanding of the capabilities historically procured by agencies compared with the public sector's current in-house capability functions. It is also the basis for developing any approach which seeks to encourage insourcing, and to enable the data collection to support that, both of which evolve over time.

Figure 19 provides a high-level picture of whether the types of expertise and capability offered by in-house functions are similar to the type of work produced by consultants. The data suggests that there might be some supply/demand alignment for work requiring more generalist analytical experience but a clear mismatch across the other three broad work types. For these categories there are either no or limited in-house capability functions to absorb demand that has historically been satisfied by consultants. This suggests the focus of responses should be on generalist work types.

Figure 19: NSW in-house capability functions undertaking work comparable to consultants, categorised by 17 consultant expenditure categories, 2021-2022 consultant spend on that same category, grouped by broad work type. ***(NSW Government in-house capability mapping survey & Annual Report Data)***



There are in-house capabilities that are predominately designed to support the whole sector but are not always visible sector wide

Conventional approaches to public sector finance and budgeting often incentivise agencies to prioritise meeting their internal business and operational needs first. Notwithstanding that well-recognised observation, a survey of in-house capability functions showed that most NSW functions are orientated towards offering services and expertise across the sector (Figure 20). Of the fewer in-house functions identified as agency-focused, this focus made sense given portfolio-specific subject matter expertise.

The commissioning and operating model of these functions is often determined by the nature of their expertise:

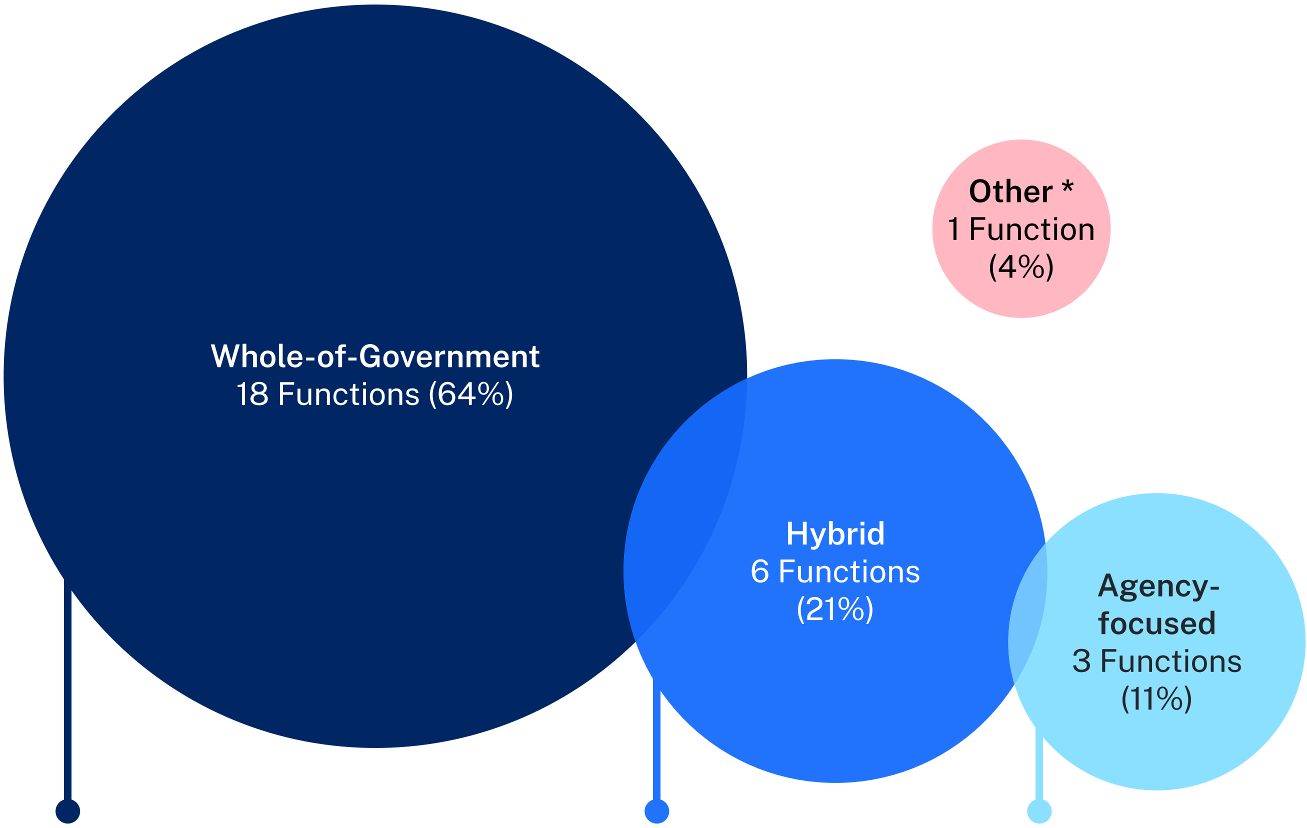
- Typically, functions available on a **whole-of-government** basis offer more transferable expertise that can be applied in a range of portfolio contexts.
- **Agency-focused** functions possess capabilities not meaningfully applicable beyond their home agency, such as clinical health or transport safety expertise.
- **Hybrid** functions tend to have expertise transferable across the sector, but work commissioned from beyond their home agency requires formal executive sponsorship or legislative request processes. These functions may have potential to expand their work across the sector if changes were made to their commissioning process.

While most functions are available to support the sector, low levels of visibility and sector awareness are likely to impede diverse utilisation. Functions' visibility is highly variable — some have public websites with contact forms while others solely rely on word-of-mouth. This diversity is likely correlated to different funding models, as well as distinct institutional histories. Those relying on fee-for-service funding from outside of a given agency or community of practice have a strong imperative to be visible and open for cross-sector partnerships.

Service availability and commissioning models may also be influenced by the organisational position and structure of specialist functions. Most specialist functions (nearly 70%) operate as branches (n=10) or teams (n=9), while 5 functions operate as agencies, and 4 operate as divisions within agencies.

There is no shared design for how best to administer, commission, and manage a specialist in-house capabilities. These functions are unnetworked and operate independently. They do not share employees between them. Not being formally networked undermines the ability to effectively prioritise work requests from across the sector according to the highest government priority, which in turn creates peaks and troughs in workload. This is not unusual: the research did not uncover a common operating models in comparative public sectors for best utilising specialist capabilities.

Figure 20: Operating models of surveyed NSW in-house capability functions



Any kind of team from across the public service can engage these functions to do work. Their purpose is to work with those who need them.

These functions have a set work program. Their purpose is to do work that is set for them (e.g. by a Minister/ Secretary). Occasionally they may be asked to do work outside of this work program.

Any kind of team, but only within their portfolio, can engage these functions to do work. Their purpose is to do work for their portfolio/ sector.

* The NSW Innovation and Productivity Council works across the sector but is categorised as other since the council sets its own work agenda and is not directly commissioned by others to do work on their behalf.

5. Major global trends will continue to affect government workforces and procurement in NSW

The work of the NSW public sector is diverse – spanning service delivery, regulation, major projects, program delivery, policy and planning and many enabling functions. All of this work occurs within a broader global context, in which governments around the world are subject to trends and significant structural changes. These can be slow-moving, and it is only with hindsight that we realise the magnitude of their impact on how government operates and who works within it.

For example, social forces related to gender equity have reshaped the public service. In 1942, Robert Parker wrote in *Public Service Recruitment in Australia* that women are "…more adaptable to monotonous work than men, still prepared to undertake such work at comparatively low salaries, and their retirement upon marriage is still an important factor ensuring rapid turnover" (Parker, 1942). Women were forced to leave the Australian Public Service (APS) when they married until 1966 and in 1968 only 1 in 4 APS employees were women. It took until 2000 before women made up 50% of APS staff (Australian Public Service Commission, 2016).

Freedom of Information (FOI) movements were also slow moving but had a major impact. FOI was enshrined as a human right by the United Nations (UN) in 1948, first proposed to the Australian Parliament in 1974 and enacted in 1982 (Office of the Australian Information Commissioner, 2011). Adhering to processes to share information with Parliament, the public and various integrity agencies is now a significant activity for the policy and planning functions of government, with dedicated teams across most agencies.

Economic trends associated with deregulation and privatisation during the 1980s have also shaped policies for competitive tendering and contracting out services. Beginning in the 1980s with the Coombs Royal Commission and consolidated in the 1996 National Commission of Audit, governments re-evaluated the functions to be undertaken by the private sector and the significance of procurement as a strategic enabler of modern government (Domberger & Hall, 1996; National Commission of Audit (Australia) & Robert, 1996).

Anticipating trends impacting procurement and public sector workforces enables the NSW Government to harness the opportunities they present and prepare for the challenges that lie ahead. The analysis has revealed 4 major trends and their respective drivers of change. It explores how trends may significantly transform government work, procurement and workforce composition.

Increasing distrust of government

Trust in government refers to the level of confidence people have in political leaders and their democratic and public institutions. This trust is based on peoples' assessment of government's competence and values, as well as baseline trust across society. The Organisation for Economic Co-operation and Development (OECD) has developed an evidence-based framework classifying the factors that contribute to the perceived competence and demonstrated values of government. Australians' trust in government and other large institutions is in decline, consistent with global trends (McAllister, Sheppard, Cameron, & Jackman, 2022).

The implications for workforce and procurement include:

- **Community distrust will erode the employee value proposition for joining the public sector workforce.** If trust in government continues to decline, government will find it increasingly harder to attract people, especially those who are purpose-driven, into its workforces. Given that younger generations place a high premium on working in areas that align with their values, the sustainability of governments' long-term talent pipelines may be at risk if trust trends do not reverse (Deloitte, 2023).
- **Expectations for greater transparency of procurement systems and supply chains will continue to grow.** Public attention on how government is spending public funds continues to grow. For example, public concern about climate change is increasing demands for greater transparency on environmental, social and governance (ESG) risks within government procurement supply chains (Alexander & Yazdani, 2022). Additionally, the public desires strong

safeguards against corruption, which translate to more stringent transparency, conflicts of interest, and accountability measures (ICAC South Australia, 2018).

- **Outsourcing policy work may compound decline in capability over the long-term.** Perceptions of low public sector capability can drive more use of private or non-government actors in policy development and service delivery in the belief that doing so legitimises decision-making (Finance and Public Administration References Committee, 2021; Mulgan, 2023).

Increasing need for governance and decision-makers that can contend with complexity

Globally, the operating environment for governments is increasingly characterised by volatility, uncertainty, complexity, and ambiguity. Policy and service system challenges are increasingly 'wicked', with no one obvious source or solution. Historical governance and decision-making systems were designed for a different context, yet new governance systems have not fully emerged to complement or, on occasions where required, supersede them. Peoples' desire for a greater stake in decision-making can challenge traditional hierarchical, top-down governance structures and open new preferences for governance and decision making to be devolved or networked.

The implications for workforce and procurement include:

- **Uncertainty and volatility will be constant and increasing – workforces must be adequately equipped to deal with complexity.** The unpredictability and variety of emerging crises increase the challenge of developing and implementing effective responses (Head, 2022). The dynamic context, combined with the emergence of global challenges that are highly interdependent, requires rapid adaptation to new challenges (Lawrence, Janzwood, & Homer-Dixon, 2022). Operating within decision-making systems that can contend with complexity requires employees in the public sector to have highly developed skills to identify and synthesise diverse forms of evidence, to innovate to drive organisational change, and to work in flexible, networked ways with more diverse stakeholders.
- **A need to innovate policymaking approaches.** Contending with complexity requires constant adaptation, implying a need to innovate traditional, linear policymaking approaches, top-down decision making, and siloed policy domains (Andrews, Dwyer, Gibbons, Maltman, & Triggs, 2023). All of this requires high level capability from public servants, and an ability to develop new skills, as well as a thoughtful use of procurement for adaptive policymaking contexts.
- **Lack of capability among public sector workers could be a barrier to effective and legitimate automated decision-making.** The competencies required to incorporate technology into decision-making processes are beyond those more common capabilities to facilitate digitalisation of public services. Automated decision-making systems are a particularly complex area and rely upon diverse technologies or products, often purchased from private companies either as off-the-shelf products or bespoke designs (Sleep, Coco, & Henman, 2022). The high degree of technical skills required to design and implement automated decision-making systems may also increase the demand for complementary capabilities in ethics and legal roles.

Increasing digitalisation

Digital government is no longer a niche set of activities. Establishing the digital foundations for most government functions, even those still done in non-digital ways, is arguably the most significant transformation that governments are undertaking globally. Since governments hold universal service obligations, are focussed on inclusive access, and have obligations around privacy and security, digitalisation presents complexity for governments and significant political, economic and social costs when mistakes are made.

The implications for workforce and procurement include:

- **Data and digital literacy are fundamental capabilities for all public sector workforces**. Public servants need to be able to reconceptualise government processes and public services to take advantage of digital, fostering new ways of understanding and anticipating peoples' needs. Increasingly, digital is being integrated not just in the "process" end of government interactions with people but into the delivery of personalised services. This means digital becomes relevant for all functions across government.

- **Augmentation and automation through digital government transformation is likely to create demand for transitioning workforces displaced by new technologies.** Market forces will not apply the same pressure to rapidly automate jobs in the public sector as the private, but there will be other pressures from citizen expectations, perceptions of potential benefits from new service models and fiscal constraints driving the need for efficiencies. These trends point to the need for ongoing upskilling and retraining across public sector workforces.

Increasing labour market pressures and competition for talent

Employment has held strong among OECD countries and unemployment rates have reached the lowest rates seen in decades. Observers are pointing to structural demographic and sectoral factors that indicate the competition for talent will continue to be a challenge for governments and firms (Allas, 2023; Stangler, Gitis, & Snyderman, 2023). Occupations with too few workers are diverse – paramedics, bus drivers, actuaries, primary school teachers – with particular occupation groups under most strain. In an era of rapid technological change, the skills mismatch driving the talent shortage can also arise from a skill lag.

The implications for workforce and procurement include:

- **Public sectors' competition for skilled talent is cross-sector and cross-border – a unique value proposition is essential**. Public sector pay scales mean that specialists in short supply can often earn more in the private sector than in the public sector. The competition for talent is global, with other historically desirable destinations for migrants like the United States and the United Kingdom facing similar shortages, meaning Australia risks its skilled migration pool being poached (Da Costa, 2019). A focus on other factors that contribute to quality of work and the value proposition for workers will be important.
- **Workforce planning systems need to be agile.** Public service workforce planning systems will need to be able to determine what types of capabilities will be needed in the short term to respond to crises and change, what types need to be transitioned and evolved to best target upskilling, and what types will be needed in the long-term to best build the pipeline of people who can continue to foster public sector innovation.

6. Reform Directions

The analysis has identified three main reform directions to achieve NSW Government's objectives of reducing outsourcing expenditure and changing the resourcing mix for public sector work.

1. Define core public sector work that must be insourced through a NSW Public Service Core Work Policy.
2. Establish a NSW Government Specialist Capability Network, anchored in a new concierge function, to drive cross-sector insourcing.
3. Support more data-informed stewardship of the sector's use of resources as part of any broader reforms.

Define core public sector work that must be insourced through a NSW Public Service Core Work Policy

There is no highly visible or generally accepted understanding of the set of activities that only NSW public servants should perform and those activities that can be legitimately procured. As a result, different agencies and executives have been using procurement in different ways. NSW will develop a new Core NSW Public Service Work Policy to set clear expectations of the types of work that agencies must be able to perform in-house and the circumstances in which work can be procured.

NSW's approach will build on the approach adopted in the APS Strategic Commissioning Framework, which identifies some whole-of-government expectations about the work that public servants should do and enables Agency Heads to identify the core work specific for portfolios functions. Given the sheer range of functions performed across NSW Government, significant work will be needed to identify the preferred approach in diverse contexts. However, across the board, a key consideration that NSW can learn from the Australian Government is the focus on public servants' activities which are crucially related to the integrity of core government decision-making and the exercise of delegated power.

The increasing rate at which consultants are procured to deliver generalist work correlates with a drift over time towards procuring work that goes to government decision-making. This kind of work has the highest potential to be undertaken by the public service and should be the initial focus for targeted insourcing measures.

More specialist capability and/or work requiring independence, and digital government initiatives are two areas where the ongoing use of an external workforce should be expected to continue.

Around 40% of disclosed consulting services expenditure and 17% of contingent labour expenditure is for specialist capability or advisory services requiring third-party independence. The ability to displace this expenditure is very limited and, in many instances, independence is a legitimate driver for procurement, and this should be preserved. However, in identifying core work by function, agencies will benefit from the distinctions identified in this research between what work needs to be independent from the team responsible for delivery, distinct from independent from the sector where other options might be available.

The drive towards digital government has been significantly resourced using contingent labour, with 40% of all non-frontline contingent labour expenditure going towards ICT related roles from 2018-19 to 2022-23. Global evidence indicates that the shift to digital government is more efficient if it uses contingent labour for certain work due to the technical complexity of digital delivery models and competitive labour market conditions. If the NSW Government wanted to change the resourcing mix, there may be limited options to substantially reduce this expenditure or bring these capabilities in-house without sustained upskilling programs, ICT industry-specific remuneration and strong employee value propositions. This is also variable across ICT functions and occupations, where the employee value proposition of NSW Government may be weaker for some legacy systems and technologies.

Finally, to achieve insourcing at scale in line with Government objectives, it should be assumed that there needs to be attention to ongoing skills development in the public servants who do the kind of generalist work that has been increasingly outsourced to consultants.

Establish a NSW Government Specialist Capability Network, anchored in a new concierge function, to drive cross-sector insourcing

A level of specialist skill, higher than what it is reasonable to assume every public servant should have, will also need to be made more available. The most efficient and effective way to do this is to better utilise relevant portions of existing public servants in NSW Government's specialist capability functions that are already set up, simultaneously displacing use of consultants.

Establishing a NSW Government Specialist Capability Network will allow NSW to increase sector-wide visibility of these functions and to leverage resources to insource at scale. This Network would operate across the sector, rather than require specialist functions to be co-located in one agency. It will be anchored in a new team, to act as a concierge function for teams across the sector seeking to access existing specialist capabilities.

This central team will itself have specialist capability in scoping problems and policy outcomes, and which capabilities are best suited to different types of problems. This will replicate one of the benefits that can arise from engaging consulting firms, which can play this role for clients to clarify the kinds of capabilities and methods best suited to their problem. It will help identify where there is a match between work and the Network's capabilities, or, where work is beyond the Network's existing capacity, better position agencies to be smarter buyers of professional services.

As the Network becomes operational, the concierge function should also be established to collect data about unmet demand for specialist functions within the sector, skills gaps in emergent work areas, and deeper market knowledge. This function can provide ongoing data-informed advice to the sector, to inform the Network's evolution over time.

Support more data-informed stewardship of the sector's use of resources as part of any broader reforms

The concerns about an over-reliance on consultants and contingent labour by public sectors arise from concerns about integrity, public sector capability and economic efficiency. Government's role in stewarding public resources is at its core one of understanding and balancing different public values over time. Being able to fulfil this role will rest on data capabilities able to produce robust strategic insights into the work being done across government and how it is resourced.

These kinds of data-informed insights will often rest on the ability to draw on procurement, workforce and finance data, and involve asking different kinds of questions to the questions that existing data systems were set up to answer. To be able to develop sector-wide insights for effective stewardship, and drill down, will involve different data capabilities than those currently available.

NSW agencies will consider options to evolve existing data capabilities, drawing on insights into the limitations that matter most as identified through recent inquiries.

Undertake these three reform directions to leverage the non-economic public value of external engagements that build trust, promote quality evidence and draw on diverse perspectives

Even once excessive dependency on consultants and contingent labour for 'core' public service work is addressed, ideas from the private, community and research sectors will continue to play a key role in NSW Government's ability to deliver on its priorities.

Drawing on high-quality external support, increasingly from civil society organisations and universities, can play an important role in enriching the range of perspectives and ideas that inform policy and strengthening trust in government through more meaningful community participation in decision-making.

Within the scope of this research there has not been a detailed analysis of options for strengthening the role of civil society organisations. The recent Productivity Commission review of the National Agreement on Closing the Gap highlighted examples of good practices in partnering with Aboriginal Community Controlled Organisations around policy development. Some of these instances of good practice are being delivered under the NSW Implementation Plan.

The important thing to recognise is that strengthening engagement with universities and civil society organisations to support government policy and planning is not about a scaled alternative to consultants and contingent labour. Instead, it is about leveraging the non-economic public value that government can accrue with respect to trust, quality evidence-based proposals, and building public sector capability.

Improving understanding of procurement and partnership outcomes and value through better evaluation frameworks and knowledge management systems can also support public sector managers to make informed choices about which external providers can provide high-quality support to best deliver public value.

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Appendices

Appendix A: Accessible tabular version of Figure 18: 2022 FTE of public sector employees undertaking work comparable to consultants and consultant spend, categorised by 17 consultant expenditure categories, grouped by broad work type

Broad work category	Work type	Percentage of employees FTE undertaking work comparable to consultants work type in 2021-22	Count of employees FTE undertaking work comparable to consultants work type in 2021-22	Percentage of total consultancy spend on work type in 2021-22	Total consultancy spend on work type in 2021-22
Work augmenting the delivery of government services	Communications, Stakeholder Engagement, Copy Editing	7.2%	4759	2.1%	$3.144 million
Work augmenting the delivery of government services	Natural Disaster and Incident Response Planning	3.3%	2198	0.2%	$0.260 million
Work augmenting the delivery of government services	Service Design and Transformation	2.2%	1447	5.6%	$8.263 million
Work building physical or digital infrastructure	ICT Advisory and Assessment	2.4%	1565	3.5%	$5.121 million
Work building physical or digital infrastructure	Infrastructure and Capital Works Advisory	4.4%	2922	5.8%	$8.485 million
Work building physical or digital infrastructure	Project Management	6.8%	4510	3.2%	$4.754 million
Work requiring generalist skills or analytical expertise	Business Case and Economic Appraisal	0.6%	389	8.2%	$12.061 million
Work requiring generalist skills or analytical expertise	Data And Digital Development and Products	4.2%	2770	1.4%	$1.997 million

Work requiring generalist skills or analytical expertise	Policy And Legislation Evaluation and Design	1.5%	1027	0.8%	$1.134 million
Work requiring generalist skills or analytical expertise	Program Evaluation and Administration	5.3%	3554	3.7%	$5.380 million
Work requiring generalist skills or analytical expertise	Research, Analysis and Insights	14.4%	9556	6.0%	$8.738 million
Work requiring generalist skills or analytical expertise	Strategy Development (Strategic Plans and Review)	4.6%	3038	10.7%	$15.612 million
Work requiring specialised technical expertise and/or independence	Audit, Assurance and Risk Management	1.3%	888	4.2%	$6.197 million
Work requiring specialised technical expertise and/or independence	Financial And Accounting Services (Including Procurement)	9.8%	6532	25.0%	$36.621 million
Work requiring specialised technical expertise and/or independence	Internal Organisational Operations and Management (Including HR)	27.0%	17947	10.0%	$14.673 million
Work requiring specialised technical expertise and/or independence	Legal	4.8%	3185	6.4%	$9.307 million
Work requiring specialised technical expertise and/or independence	Modelling And Analysis	0.3%	176	3.2%	$4.634 million

Appendix B: Tabular version of Figure 19: NSW in-house capability functions undertaking work comparable to consultants, categorised by 17 consultant expenditure categories, 2021-2022 consultant spend on that same category, grouped by broad work type. *(NSW Government in-house capability mapping survey & Annual Report Data)*

Broad category	Work type	Percentage of in-house functions undertaking work type in 2021-22	Count of in-house functions undertaking work type in 2021-22	Percentage of total consultancy spend on work type in 2021-22	Total consultancy spend on work type in 2021-22
Work augmenting the delivery of government services	Communications, Stakeholder Engagement, Copy Editing	3.6%	1	2.1%	$3.144 million
Work augmenting the delivery of government services	Natural Disaster and Incident Response Planning	10.7%	3	0.2%	$0.260 million
Work augmenting the delivery of government services	Service Design and Transformation	28.6%	8	5.6%	$8.263 million
Work building physical or digital infrastructure	ICT Advisory and Assessment	7.1%	2	3.5%	$5.121 million
Work building physical or digital infrastructure	Infrastructure and Capital Works Advisory	14.3%	4	5.8%	$8.485 million
Work building physical or digital infrastructure	Project Management	32.1%	9	3.2%	$4.754 million
Work requiring generalist skills or analytical expertise	Business Case and Economic Appraisal	35.7%	10	8.2%	$12.061 million
Work requiring generalist skills or analytical expertise	Data And Digital Development and Products	32.1%	9	1.4%	$1.997 million
Work requiring generalist skills or analytical expertise	Policy And Legislation Evaluation and Design	25.0%	7	0.8%	$1.134 million
Work requiring generalist skills or analytical expertise	Program Evaluation and Administration	50.0%	14	3.7%	$5.380 million

Work requiring generalist skills or analytical expertise	Research, Analysis and Insights	78.6%	22	6.0%	$8.738 million
Work requiring generalist skills or analytical expertise	Strategy Development (Strategic Plans and Review)	42.9%	12	10.7%	$15.612 million
Work requiring specialised technical expertise and/or independence	Audit, Assurance and Risk Management	10.7%	3	4.2%	$6.197 million
Work requiring specialised technical expertise and/or independence	Financial And Accounting Services (Including Procurement)	3.6%	1	25.0%	$36.621 million
Work requiring specialised technical expertise and/or independence	Internal Organisational Operations and Management (Including HR)	3.6%	1	10.0%	$14.673 million
Work requiring specialised technical expertise and/or independence	Legal	3.6%	1	6.4%	$9.307 million
Work requiring specialised technical expertise and/or independence	Modelling And Analysis	50.0%	14	3.2%	$4.634 million

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